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# THE UNIVERSITY OF ALBERTA

# WHOLESALE TRADE BETWEEN EDMONTON AND SELECTED NORTHERN COMMUNITIES

by

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A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

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THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "Wholesale Trade Between Edmonton and Selected Northern Communities" submitted by Dale Douglas Peterson in partial fulfilment of the requirements for the degree of Master of Arts.

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## ABSTRACT

In the absence of reliable published data related to wholesale trade and on linkages between communities within the study area, and to provide a sufficiently accurate view of the contribution of wholesale trade to the local and northern economy, data for the study were collected by means of a detailed market survey. The results of this survey indicate the direction and volume of wholesale goods flowing through the study area's channels of distribution.

Data from several mail surveys and an extensive field survey of northern markets indicate that the wholesaling structure of the North is a complex marketing system, characterized by a diversity of conditions in various industries and a variety of types of goods and services passing through the system. Within this marketing organization different types of wholesaling establishments are diversified in terms of employment and sales structures. The study shows that the wholesaling structure of the North, as in Edmonton, is characterized by its multi-unit organization, displaying a high degree of horizontal and vertical integration.

Wholesale linkages are analysed in terms of their ability to regulate the physical flow of goods and services in and out of regions, and in this way shed new light, from both a demand and supply perspective, on Edmonton's historic "gateway" function. The study isolates the strategic position of wholesaling in the distributive systems of the northern marketing organization, in terms of its ability to bridge the gap between producers and consumers. Analysis of the wholesaling linkage characteristics of the northern marketing organization shows

that the wholesaling structure reflects the primary and secondary industrial structure of northern Alberta, the Yukon and the Northwest Territories.

This study isolates a number of specific problems facing northern wholesalers including transportation, communication and control, labour and marketing costs. Several ways of improving the efficiency of the present marketing system are suggested, particularly in terms of the level of the quality of wholesaling services now being provided in the North. In this regard, the study points out the increased competition from Vancouver wholesalers, and suggests ways in which Edmonton wholesaling firms could improve their service if they are to meet the challenge of this competition.

Results of this study show that the direct economic effects of wholesaling are limited, in terms of possible increases in employment and sales through the multiplier effect. However, in terms of its indirect facilitating effects, the wholesaling sector of the northern economy is the one structure in the marketing organization which makes northern development possible and effective.

The study recommends that regional development policies should devote more attention to the problems of wholesale marketing as the key to supplying future economic development in the North. Emphasis should be placed on increasing the efficiency of the present system, particularly through improvements in the Edmonton wholesaling structure. The results indicate that it is not feasible to establish small scale wholesaling establishments in northern communities in an attempt to streamline the system by bypassing the transshipment process in Edmonton.

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I accept sole responsibility for the interpretations and conclusions of this analysis, as well as for the study's recommendations and related comments on the future economic development of the North. Moreover, the views expressed in this study are not necessarily endorsed by the sponsoring agencies nor by the individuals who are mentioned in this acknowledgement.

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# CHAPTER I

## INTRODUCTION

In recent years, growing attention has been focussed on the problems of social and economic development in northern Alberta, the Yukon and the Northwest Territories. A number of studies have been undertaken to isolate the problems and potential of northern development in agriculture, industry and resources (Northern Alberta Development Council, 1970, p. 3). It has been suggested that the reasons for this increased attention stem from the observation that the economy of the North is undergoing significant social and economic adjustments (Mansell, 1970). A traditional semi-subsistence economy is being rapidly replaced by a wage economy with corresponding changes in the life styles of the region's residents. Communities in the North are gradually becoming better organized and increasingly more permanent entities (Mansell, 1970). Because of its distinct social and economic character, combined with vast distances, a widely-scattered population and climatic difficulties, the North requires special attention by both government and private enterprise, with respect to its development. Solutions to problems which may have been effective in other areas of the country are not necessarily those which will be best in its northern regions (Northern Alberta Development Council, 1970).

Economic activity in the North is based largely on mineral and forest resource exploitation. Agriculture is also an important industry in Alberta's Peace River region and sections of the province's

frontier near Edson, Lac La Biche and St. Paul.[1] As a result, the economic base of these northern regions manifests a higher percentage of activity in the primary sector than is the case with more intensively developed areas elsewhere in the country (Webster, 1971, p. 14). Because of the nature of much of this primary economic activity, settlement in the North has tended to be characterized by a lack of spatial permanence. Settlement in the hinterlands of the region's central places has tended to be of a temporary nature resulting in the development of an immature hierarchy of service centres with poor physical infrastructure. Central places in this region of the country have tended therefore to experience much wider fluctuations in growth indices than rural communities in other areas of Canada (Webster, 1971).

With the progressive shift of resources and industrial development towards the North, there have been significant changes in the infrastructural requirements of communities in northern Alberta, the Yukon and the Northwest Territories. As the region's communities increase in size and population their demands and needs become increasingly more sophisticated with respect to the provision of essential services. In particular, development of the region's natural resources and the creation of new markets in the North require improved channels of

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[1] In spite of the emphasis on forest and mineral resource development, agriculture continues to remain a major contributor to the economic growth of the Peace River Region of northern Alberta. In terms of the generation of local commercial activity through the circulation of money, the impact of the agricultural sector within the Peace River region is more marked than that of the Mines, Quarries and Oil Wells sector (Fairbairn and Ironside, 1973, p. 86). In terms of basic revenues to the region, however, the impact of the agricultural sector is significantly less than that for forestry and mining (Fairbairn and Ironside, 1973).

distribution, of which the more important components include transportation facilities and wholesale marketing. Transportation has long been considered the key to northern development and therefore it is not surprising to find that road and bridge construction claim a major share of governments' northern development appropriations.[2] Whereas research has been undertaken with respect to the provision of adequate transportation facilities,[3] there has been no research directed towards the problem of wholesale marketing and the distribution of essential services in northern Alberta, the Yukon and the Northwest Territories.

## Regional Economic Development

Governments, as well as business organizations, have expressed a concern for declining rural communities in Alberta. Provincial and federal government programs are being directed at improving the economy of towns and cities in rural Alberta. In particular, an emphasis is being placed on the achievement of a viable long term economic base for rural communities. Attempts are being made to activate community development through self-help programs directed towards attracting new secondary and tertiary industries. Other alternatives available to

---

[2] The Northern Alberta Development Council's "Road to Resources" program is a good example of the emphasis that has been placed on transportation as the basic essential for northern development. Between 1965 and 1971, the N.A.D.C. appropriated $18.1 million, or 83 per cent of their total budget, for highway construction as a means *"to assist resource development and to provide extra job opportunities for people in isolated communities in central northern Alberta"* (Northern Alberta Development Council, 1970, p. 7).

[3] Refer to Willis (1966) and Trnavskis (1971). For a detailed inventory of transportation services and facilities in northern Alberta, see Alberta Northern Development Group (1974).

stagnating or disadvantaged communities include local economic improvement through the expansion of existing industry and commerce and the increased use of available resources. In general, the emphasis has been placed on the need to increase the breadth of a community's economic base as a means of stimulating local and regional economic growth. In other words, there is a recognized need to diversify the economic base of communities in northern Alberta, the Yukon and the Northwest Territories in order to reduce the degree of economic colonialism characteristic of this frontier region.

Regional economic development based on the improvement of community infrastructure, such as transportation facilities, to improve access to jobs and job-providing industries in an attempt to broaden the community's economic base, has tended to stress the importance of transportation costs in the decision to locate new industries within a region. However, other aspects of the channels of distribution in and out of a region are equally important. One aspect of these channels of distribution which has been neglected so far by researchers is the wholesale marketing organization providing a region with its essential goods and services. Therefore, this study represents an attempt to systematically analyse a dimension of regional economic development that has been seriously neglected by most researchers.

A region's marketing organization is made effective through its channels of distribution. The flow of goods and services through this marketing organization is not an automatic process (Revzan, 1961). The marketing organization involves a complicated network of buying and selling agencies grouped together in varying combinations to link particular producing units with particular using units (Revzan, 1961,

p. 18). As the marketing aspects of a region grow in complexity parallel to the region's total social and economic development, the distribution channels develop into more intricate patterns (Revzan, 1961). Because of its strategic position within the channels of distribution, wholesaling constitutes the single most important sector of a region's marketing organization (Revzan, 1961). Wholesaling covers a wider variety of goods and services than any other sector of the marketing organization and involves more types of middlemen operations than does the retail sector (Revzan, 1961). In addition, wholesaling gives more depth, more variety and more complexity to a region's marketing organization than any other sector (Revzan, 1961, p. 19). Therefore, the purpose of this study is to present a systematic investigation of one aspect of a region's channel of distribution function—wholesale trade. In particular, this study will measure the direction and magnitude of the wholesale links between communities in northern Alberta, the Yukon and the Northwest Territories and their various centres of supply. As much as possible, measurement will be in dollar and employment terms.

## The Nature of Wholesaling

In its broadest sense wholesaling includes *"all marketing transactions at the wholesale level, i.e., all purchases and sales other than those made to ultimate consumers"* (Beckman, Engle and Buzzell, 1959, p. 5). In other words, wholesale trade is related to the level of marketing between manufacturing and retailing. However, such a definition of the field is far too vague and imprecise to be of any analytical value. A common feature observed in most studies into the nature of wholesaling is the inability to arrive at a satisfactory

definition of the field. The complexity of the subject, the diversity of conditions in which wholesale trade is transacted and certain misconceptions about the nature of wholesaling have made a universally acceptable definition of the field all but impossible.

The present study of wholesaling in the North faces the same difficult problems of definition. After considering all the alternative points of view regarding the essential nature of wholesaling, it was decided to adopt what has been referred to by most researchers as the so-called "middle-view" approach to the subject, which coincides with the definition put forward by Statistics Canada in the Standard Industrial Classification Manual. Therefore, for the purposes of this study, wholesaling will be defined as those establishments:

> *"primarily engaged in buying merchandise for resale to retailers; to industrial, commercial, institutional or professional users; to other wholesalers; or in acting as agents in connection with such transactions"* (Canada, 1970, p. 35).

In this way, sales to farmers of farm supplies and equipment such as feeds, fertilizers, seeds and machinery are considered as wholesale sales; whereas sales to farmers as household consumers of such items as food, clothing and household equipment, are considered to be retail sales. In order to determine whether a particular firm is in fact a wholesaler, and not a retailer or manufacturer, it is necessary to ascertain what proportion of his sales was made to customers other than household consumers. If the majority of a firm's sales are to customers other than household consumers, the firm is considered to be a wholesaler for the purposes of this study. A definition of this type

would appear to be the best alternative since it includes wholesale agents, such as importers, exporters and manufacturing agents, and wholesalers transacting in producer goods, but excludes wholesale facilitating agents such as warehousemen, transport companies and banks (Simons, 1966, p. 3).

Because the definition of wholesaling used in this study is based on a description of wholesaling 'establishments', it is necessary, at the outset, to define what is meant by the term 'establishment'. According to Beckman, Engle and Buzzell (1959, p. 34), the term 'establishment', in its nontechnical usuage refers to a single physical place of business. It does not, therefore, refer to a company or organization unless they are coextensive with a single physical place of business; and it need not consist of an entire building or floor, or even room for that matter (Beckman, Engle and Buzzell, 1959). As used in this study, an 'establishment' is defined as *"the smallest unit which is a separate operating entity capable of reporting those elements of input necessary to calculate gross margins, as well as employment wages and salaries"* (Canada, 1972, p. 3). On the other hand, the term 'location', as used in this study, will be defined as the actual physical outlet in which the business activity takes place. In this way, an establishment may have two or more locations, as the concept of location is not dependent upon the availability of accounting-based data.

Based on the definition of wholesaling used in this study, a wholesale transaction is characterized by the purpose or motive of the buyer rather than the scale of purchase. Whenever there is geographical separation of production and ultimate sale, there is a

need for wholesaling to intervene (Vance, 1970). In doing so, wholesale marketing creates utilities of time, place and ownership (Beckman, Engle and Buzzell, 1959, p. 10). Although the value added by wholesaling through the creation of time and place utilities is generally recognized and understood, often it is not fully appreciated. Time utilities are created by providing a given commodity at one point of time as compared with another, resulting in a greater capacity to satisfy wants (Beckman, Engle and Buzzell, 1959). Because of maladjustments between periods of production and consumption, financial resources and physical facilities for storage are required in order to achieve optimal operating efficiency in the marketing organization. It is the wholesaler that assumes these risks of inventory and creates time utilities by making a given commodity available for sale at some optimum point in time. Similarly, place utility is created by making a given commodity available at one location or point in space as compared with another (Beckman, Engle and Buzzell, 1959). Due to the regional specialization of industry, few products are produced in the same area in which they are consumed or used (Hill, 1963, p. 4). Transportation obviously constitutes a key element in this distribution of products from points of origin to points of consumption. However, it is the wholesale marketing organization that selects the appropriate means of conveyance and carefully integrates it with the production and storage operations on the one hand and with the pattern of demand on the other (Hill, 1963). Finally, ownership utilities result from the increased power of 'want satisfaction' which a commodity manifests in the hands of a consumer over that which it enjoys when in the possession of a manufacturer (Beckman, Engle and Buzzell, 1959).

In summary, the wholesaling function's *raison d'etre* is to facilitate the flow of goods in the marketing channels, and in doing so, create utilities of time, place and ownership. In other words, as a type of production, in the true economic sense that production consists of the creation of utilities or want-satisfying powers, wholesaling functions as an integral part of a region's channels of distribution, providing *"the linking vehicle by means of which marketing organization takes place and becomes effective"* (Revzan, 1961, p. 18). In this way, the wholesaling function is viewed as a 'funnel' channelling product flows between producing units and various levels of users (Revzan, 1961, pp. 14-16). Unfortunately, this strategic position of wholesaling in a region's marketing organization is usually overlooked by most researchers and the full impact of its role in regional economic development has never been fully appreciated. It is, therefore, the purpose of this study to investigate this variegated aspect of supply and distribution and its implications in the economic development of northern Alberta, the Yukon and the Northwest Territories.

## Functions and Processes of Wholesaling

Wholesaling, generally speaking, involves the same group of processes and functions applicable to the whole field of marketing (Revzan, 1961). However, because of its structural arrangement based on degrees of specialization, in terms of both types of business and kind of transaction, some special adaptations and applications need be noted here. Revzan (1961, p. 6) has identified three broad categories of function at the wholesale level: (1) functions of exchange and contact, including merchandising and the buying and selling of goods;

(2) functions of physical distribution, including transportation and storage; and (3) facilitating or auxiliary functions, including standardization and grading, financing, communication and research, and risk bearing. All of these functions, taken together, comprise the task of wholesaling. By 'function', Revzan (1961, p. 6) is referring to groups of purposeful activities which are homogeneous in the sense of having common objectives and influencing, or being influenced by, managerial organization units.

A detailed analysis of the many functions performed by wholesaling institutions in the North will be dealt with later in the study. However, at this time, an understanding and awareness of these functions is necessary if one is to recognize the importance of wholesaling in the marketing process. Marketing process, in this sense, refers to the meaningful grouping of functions, as outlined above (Revzan, 1961). As it will become apparent later in the study, an understanding of the wholesaling function in the marketing process is important, as it bears directly on the geographic aspects of the "flow-of-commodities" concept in marketing, and in particular, with respect to the division in specialization between wholesale and retail market levels; that is, between the primary and intermediate markets, on the one hand, and the final markets on the other (Revzan, 1961). As will be pointed out later in the study, this innately connective function of wholesaling has important spatial implications.

## Industrial Classification System

For the purposes of this study, wholesale establishments are classified by kind of business according to the principal lines of

commodities sold. A seventeen-category wholesale classification system has been developed for this study (Appendix A). The industrial classification system used throughout this study is a modified 1967 U.S. Standard Industrial Classification (SIC) for Wholesale Trade (Major Group 50).[4] In addition to including eight of the Group Numbers from the Standard Industrial Classification Manual (Bureau of the Budget, 1967), this modified system includes SIC code numbers from the Dun and Bradstreet Reference Book (5111 through 5199) and the code numbers used by the Alberta Bureau of Statistics. The original nine-group 1967 classification system was further modified by making each four-digit SIC Industry Number in the three-digit Group Number 509 (Miscellaneous Wholesalers) a separate wholesale class (Table 1). This stratification of SIC Group Number 509 into nine major wholesale classes was considered necessary in order to increase the representativeness and precision of the sample derived from this other-wise broad and diverse group of miscellaneous wholesale establishments.

## Types of Wholesale Middlemen

In order to achieve economy and careful analysis, it is necessary to adopt some criteria for classifying types of wholesale

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[4]The use of the U.S. Standard Industrial Classification, as opposed to the S.I.C. categories used by Statistics Canada, relates to the use of the Dun and Bradstreet DMI computer file as the primary data source in the study. All firms in the Dun and Bradstreet file are classified according to the four-digit S.I.C. code used by the United States Bureau of the Budget. Rather than attempting to modify the four-digit system to make it compatible with the three-digit system used by Statistics Canada, it was decided that for the sake of expedience the U.S. Standard Industrial Classification would be used in the study.

middlemen operations. Just as there is great variety among types of wholesale establishments, based upon the principal lines of commodities sold, in terms of size, affiliations and the degree of industrial specialization, there is also great variety among the kinds of middlemen operations, based on degrees of completeness of functions, of product assortment and of managerial control (Revzan, 1961).

Many marketing textbooks have based their classifications of wholesalers upon the data and classification schemes presented in census publications. Unfortunately, these census reports often vary from base period to base period as to both the type of operation and the kind of business. Obviously, these variations interfere with the continuity and comparability of the statistical data. For the most part, the terminology and definitions given in this study conform to Statistics Canada usage. While the categories adopted in the Census could tolerate some refinements, it seems desirable to adhere to them. As this study of middlemen operations involved analyses of a quantitative nature, it was necessary to adopt a system of classifying wholesale operations which allowed for comparisons based upon data supplied by census publications.

A so-called "orthodox" classification scheme was used for the purposes of this analysis. Included in this classification scheme are such varied organizations as the so-called "merchant wholesalers", manufacturers' sales outlets, merchandise agents or brokers, petroleum bulk stations, assemblers of farm products, and retail buying offices. Included within each of these six major groups are a number of specialized subtypes based upon the particular specialized marketing services

they provide.[5] The "orthodox" view of middlemen operations may be summarized as follows:

(1) The Merchant Wholesaler: (a) Regular wholesalers, including jobbers; (b) Importer-Exporters; (c) Rack jobbers; (d) Cash-and-carry wholesalers; (e) Drop shippers or desk jobbers; (f) Truck or wagon jobbers; (g) Mail-order wholesalers; (h) Industrial distributors; (i) Mill supply houses; (j) Converters; (k) Chain store buying offices or warehouses; (l) Wholesaler- or retailer-sponsored buying-pool cooperative chains.

(2) Manufacturers' Sales Outlets: (a) Manufacturers' sales branches, with warehouse stocks; (b) Manufacturers' sales offices, without warehouse stocks.

(3) The Merchandise Agent or Broker: (a) Brokers; (b) Commission merchants; (c) Purchasing agents; (d) Selling or sales agents; (e) Manufacturers' agents; (f) Import-Export agents; (g) Auction companies; (h) Resident buying offices; (i) Cooperative selling agencies.

(4) Petroleum Bulkplant, Terminal or Liquefied Petroleum Gas Facility: (a) Independent; (b) Commission; (c) Cooperative; (d) Refinery controlled.

(5) Assembler of Farm Products: (a) Independent buyers or dealers; (b) Commission buyers; (c) Cooperative purchasing agencies; (d) Grain elevators; (e) Cream stations; (f) Packers and shippers.

(6) Retail Warehousing and Purchasing Organization: (a) Purchasing offices; (b) Retail warehouses; (c) Wholesale cooperatives.

One reason why there has been a dearth of marketing research on the nature of wholesaling relates to the complexity of the subject; that is, the difficulties associated with analysing its structure and functioning. Similarly, much of the criticism directed against this aspect of marketing stems from the lack of knowledge as to why there exists so many types of wholesale middlemen operations. Revzan (1961,

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[5] The basic definitions of each type of wholesale middleman operation appear in Appendix B.

p. 30) has posited several pertinent explanations as to the variety of types of operations found at the wholesale sector. First, this wide variety of types reflects the smaller scale of wholesale middlemen operations compared with manufacturing activities, and the corresponding greater ease of entry. This aspect of scale of operations is particularly pertinent with respect to those wholesale agents or brokers who do not take physical possession of the inventories they sell. A second reason postulated by Revzan (1961) is related to the legal bases for agent-principal arrangements by means of which a whole class of wholesalers are thus created. To this must be added the wide variety of products marketed at the wholesale level. For example, consider the many possibilities in the marketing of agricultural products by specialized middlemen operations, such as auction companies, cream stations, and grain elevators. Similarly, there is the differentiation of wholesale markets based upon the domesticity of their markets, that is, local domestic markets as against foreign-based operations. And finally, Revzan (1961) points out that in order to serve the various levels of business and institutions involved with middlemen operations, variations in the type of wholesale activity are required in order to effectively control the wide variety of products and services provided in the channels of distribution.

## Review of the Literature

The wholesaling component of the marketing organization has existed since the beginnings of civilization, and yet until recently, very little had been written on the subject. A review of existing marketing literature reveals a surprising paucity of writings in the

field of wholesaling. In their classic textbook, one of only two books which cover the entire field, Beckman, Engle and Buzzell (1959, pp. 12-13) suggest several reasons for the general neglect of wholesaling up until the late 1920's. The complexity of the subject, related to the difficulty of arriving at a satisfactory definition of wholesaling, much less analyzing its structure and functioning; the persistence of certain misconceptions about wholesaling, including the belief that wholesaling is confined to the operations of wholesalers, per se; that the wholesaling function is an anachronism in the marketing organization, and that there are no significant differences from the retailing functions in terms of internal management and operation; and the fact that the operations of wholesale establishments are not open to public observation, compounded by the fact that wholesale organizations have historically tended to shroud themselves in an atmosphere of secrecy and even hostility toward attempts to study their activities, have contributed to the general neglect of wholesaling in past research (Beckman, Engle and Buzzell (1959).

The first comprehensive investigation of wholesale marketing appeared in a book by Beckman and Engle, originally published in 1937, since revised and co-authored with Buzzell in 1959. This oft-quoted text deals primarily with wholesaling as it exists in the United States and analyses the historical development and modern status of wholesale marketing and its component parts in all their various complexities. Prior to the publication of Beckman and Engle's book on wholesaling, literature on the subject had been sparse and concerned primarily with the various entrepreneurial aspects of the trade (Vance, 1970, p. 23). The only other full-scale investigation of wholesaling was published

by David Revzan, in 1961, and for the first time considered the quantitative significance of wholesaling in marketing organization. Since then, a number of publications on various aspects of wholesaling have been produced. In general, however, these have tended to be specialized studies of wholesale marketing usually undertaken by individuals in the field of business administration.[6]

The first study of wholesaling in North America, cited in Beckman and Engle (1937, p. 5), was published in 1916 by the Harvard Business School entitled "Operating Expenses in the Wholesale Grocery Business". Prior to this time, little or no serious scientific investigation was carried out in the field of wholesaling. And, as Beckman, Engle and Buzzell (1959, p. 12) point out, even after the emergence of marketing as a separate field of study, wholesaling was never really considered an integral part of it and therefore did not receive the attention of researchers as did such comparable fields as retailing. During the early 1920's there was a renewed interest in the field of wholesaling and since that time an abundance of special studies have been published.[7] In general, these have taken the form of specific regional or metropolitan studies usually concerned with only one specific aspect or type of wholesaling activity.

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[6] For examples, see Warshaw (1961), Hill (1963) and Brion (1965).

[7] For examples, see the special issue of the Journal of Marketing (American Marketing Association, 1949) which devotes itself entirely to wholesaling in the American economy. Also refer to Parr (1944), Cassady and Jones (1949) and Converse (1957). For studies on trends in wholesaling and the changing role of the wholesaler, see Engle (1933), Lewis (1955), Nolen (1958), Beckman (1965), Revzan (1965), Lewis (1967), Davidson (1970), Tietz (1971), and Skurski (1972).

As Goss (1973, p. 2) points out, because wholesale marketing is concerned with the distribution of goods and services through space, it is a subject which lands itself to geographic investigation. The concept of a channel of distribution, in its marketing application, as a pathway or funnel through which goods flow from point of production to point of consumption, has obvious spatial connotations which warrant investigation. Geographically speaking, wholesaling is that part of the channel that bridges the physical and nonphysical gaps between producers and consumers (Revzan, 1961). Lewthwaite (1969, p. 1) also recognizes the need for geographic research, when he points out the urgent need to analyse patterns of preservation and storage, a phase in the marketing organization *"sufficiently important to call for direct and explicit geographical study"*.

Despite ample scope for investigation by geographers, review of the literature reveals an almost total absence of geographical research dealing with wholesale trade. Apart from several unpublished theses and a number of minor studies,[8] the only major geographical work on wholesaling was published by Vance in 1970. Most marketing textbooks devote less than ten per cent of their content to wholesaling, and almost all of these published studies on wholesale trade concern themselves with wholesaling as an institution, rather than with the spatial implications of establishment location or trade area development (Goss,

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[8] For examples see Simons (1966), Begg (1969), Goss (1973) and Short (1973).

1973, p. 2).[9] The few business textbooks on wholesaling which consider the spatial dimension of wholesale markets, devote no more than one chapter to location and trade area delimitation.[10] There are several studies on the location of wholesalers and spatial competition, however these have tended to focus primarily on the wholesaling structures of single cities.[11]

Vance's (1970) geography of wholesaling is essentially an analytical and historic survey of wholesaling and wholesale trade patterns in the United States, examining the organizing and distributional principles of wholesale marketing which have been operating in America over the past one hundred years. Vance (1970) raises several interesting questions concerning the state of theory in economic geography, as it relates to wholesale marketing. In particular, Vance

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[9] For examples, see Duddy and Revzan (1947), Beckman, Maynard and Davidson (1957), Tousley, Clark and Clark (1962), Cox, Anderson and Shapiro (1964), Huegy and Mitchell (1965), Stanton (1967), Phillips and Duncan (1968), Taylor and Shaw (1969), Warner (1969), Brown, Applebaum and Salmon (1970), Buskirk (1970), Diamond and Pintel (1972), Beckman, Davidson and Talarzyk (1973), Carman and Uhl (1973), and Cundiff, Still and Govoni (1973). For alternate perspectives on the theory of wholesale distribution and the wholesaling function, see Hall (1944), Hill (1966) and Courtney (1971).

[10] Refer to Beckman, Engle and Buzzell (1959), Revzan (1961), Revzan (1968), and Revzan (1971). For further reference to wholesale market patterns and trade area delimitation, see Lewis (1948a), Goldstucker (1962), Goldstucker (1965), and McKenzie (1967).

[11] For examples, refer to Harris (1939), Ullman (1942), Lewis (1948b), Lewis (1952), Gordon (1957), Thompson (1958), Resesko (1962), Miller and Sayre (1966), Preston (1966), Simons (1966), Begg (1969), Short (1973), and Murphy (1974). For in-depth analysis of the location of wholesalers for a number of cities, see Crosby (1958), Siddall (1961), Borchert and Adams (1963), Revzan (1965), and Vance (1970). For discussion of the wholesaling sector in Canada, refer to Litvak and Banting (1968) and Archer and Clark (1969).

(1970, p. 6) suggests that it is the failure of central place theory to provide a system of analysis to account for the general structure and location of wholesale trade which has led to the almost total absence of geographical literature dealing with wholesaling. The basic inability of Christaller's theory of central place functions to deal with trade and trade areas involving an agent or middleman is cited by Vance (1970) as the prime reason for this dearth of geographic research. Specifically, it is the inability of central place theory to deal with support and change induced from outside, and the dynamic quality of wholesale trade which has been strongly influenced by the historical shaping of trade patterns, that accounts for the general inapplicability of measures and tools based on central place theory to the analysis of wholesale trade patterns (Vance, 1970, p. 10). Few, if any, of the tools developed for retail marketing analysis are applicable within the wholesaling framework. The problem of developing suitable techniques of analysis and sound structural theory is compounded by the abstract quality of most wholesale transactions, which are usually carried on in an atmosphere of confidentiality wherein the physical transfer of goods often takes place along different geographical linkages from the abstract paper transactions (Vance, 1970, pp. 6-7). Furthermore, whereas the inelasticity of demand for tangible consumer goods allows for inference of scale in retail trade and the plotting of journey-to-shop consumer flows, the analysis of the physical transfer of wholesale goods, which takes place along entirely different geographical linkages, is further complicated by problems of vertical integration among manufacturers, wholesalers and retailers (Vance, 1970). As pointed out earlier in the study, the

inherent complexity of the subject is in itself perhaps the single most important factor accounting for the general neglect of wholesale trade analysis (Beckman, Engle, and Buzzell, 1959).

Notwithstanding Vance's (1970) comments about wholesaling and central place theory, attempts have been made to analyse wholesale marketing structures in the context of central place hierarchies.[12] Goss (1973, p. 7), for example, has shown that wholesale trade in New England is primarily a central place function, and that increasingly more wholesale goods are marketed in small and medium sized central places. A wholesaling hierarchy has also been developed for the State of Florida, by Rabiega and Lamoureux (1973).

In addition to his comments on the failure of existing geographical theory to account for the structure and location of wholesale trade, Vance (1970) also identifies the existing lack of research relating to the role of wholesale trade in regional development. In Vance's (1970, p. 10) own words, *"the inward focus of both regional and central-place theory has concentrated the attention of geographers on the dependent nature of wholesale trade rather than on its influence on regional development."* Traditionally, it has been assumed that wholesaling takes place only when the region's hierarchical structure is sufficiently dense and complex; that is, only when certain 'thresholds' are reached. Nevertheless, as Vance (1970, p. 10) points out, histori-

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[12] For examples, refer to Goss (1973) and Rabiega and Lamoureux (1973). For comments on the Rabiega and Lamoureux (1973) article, see Vance (1973) and the rejointer by Rabiega and Lamoureux (1975). For an interesting discussion of scale in central place analysis, with references to the wholesaling function, see Davies (1965).

cal evidence shows that wholesaling can occur in regions with immature hierarchical structures. Vance's (1970) example of the trading patterns associated with the early settlement of the United States substantiates his claim.

In discerning the American pattern of wholesale trade and its affect on regional development, Vance (1970) introduces his concept of the *"unraveling point"*, also referred to as the *"entrepot city"*. Vance (1970, p. 81) defines the 'unraveling point of trade' as *"the last point common to a sufficient number of supply lines to the frontier to assure a reasonable institutional income to the trader."* Outward from the unraveling point, only periodic threads of trade are connected to *"work-place towns"*, where natural resources are developed, and *"fundamental trading towns"* in farming areas (Vance, 1970, p. 85). The unraveling point is quite different from the trade centre envisaged under central place theory and is not quite the same thing as Christaller's threshold. Vance (1970) is not talking about customer gravitation but rather about regional trade flows. In Christaller's hierarchy of trade centres there is a leveling force working on the location of centres related to their threshold size and range of goods. According to Vance (1970, p. 82), there is no such leveling force working on the location and number of unraveling points. *"The individual unraveling points will be as far forward as necessary to command a satisfactory market, but merchants located in each can counter moves for further advance by quantity price adjustments. In wholesale trade the flow is dismembered but not the trading place, as in retail trade"* (Vance, 1970, p. 82). The ability of a wholesale centre to protect its traditional position in the region is not absolute as history has proven many times. Witness, for example,

the decline in the areal extent of Winnipeg's dominance as an unraveling point as the Canadian settlement frontier moved west and north to Edmonton.

There appears to be some analogy between Vance's (1970) *"unraveling points"* and Burghardt's (1971) hypothesis about *"gateway cities"*. The analogy, however, is more apparent than real. Burghardt's (1971) 'gateway cities' refer to centres which have unique positional characteristics with respect to a developing region. Here the analogy is similar. Whereas Vance's (1970) unraveling points refer specifically to centres specializing in wholesale functions, Burghardt's (1971) gateway cities imply a heavy commitment to all distributive functions, including wholesaling and transportation. The gateway concept appears to have much broader connotations and is generally a more common term used extensively in the popular geographical literature poured out by innumerable urban promotional groups. Little, if any, reference is made in the gateway hypothesis to the nature of the trade centre, its relation to other trading centres in the region and its affect on the development of the regional economy. Whereas, the unraveling point has definitive trade flow connotations, the gateway city is broadly applied in the literature to all centres in the *"contact zones between areas of differing intensities or types of production, along or near economic shear lines"* (Burghardt, 1971, p. 270). From this discussion it is obvious that the differences are subtle, and relate primarily to the usuage of these terms in the literature.

In conclusion, it has been the inability to derive a universally acceptable definition of wholesaling and the complexity of the subject that has led to the dearth of literature on wholesaling in the

fields of marketing, business administration and economics. In geography, it is primarily a combination of inadequate data and insufficient and somewhat questionable theory that has led to the insubstantial amount of geographical research on wholesale trade. As little thoroughgoing research has been undertaken in the field of wholesale marketing, this study represents an attempt to analyse a dimension in the geographic study of an economic activity that so far has been seriously neglected by geographers.

## Need for the Study

Wholesaling has long been recognized as an important part of a region's marketing organization. However, there have been very few attempts to analyse the actual nature and scale of the linkages that exist between communities within a region and their various sources of supply.[13] Indeed no basic research has ever been undertaken on wholesale marketing in northern Canada.

This study is an economic/geographical analysis of an activity which it is thought directly or indirectly affects a large segment of a region's economy. The many individuals who will be most directly affected by this research on wholesaling in the North are those directly employed in this type of business, particularly those in specialized wholesale establishments, who should be necessarily concerned with increasing their knowledge of the region's wholesaling market. Almost as directly affected are the thousands of persons employed in business

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[13] For one of the few detailed analyses of wholesale trade at the regional level, see Goss (1973).

activities closely linked to the wholesale trade. For example, all northern Alberta manufacturing firms which rely on wholesale distribution of their products will benefit from research in this field. Also affected by the operation of the region's wholesale market are the retailers who rely on wholesaling firms for their supplies of goods. In many cases, without the services of the specialized wholesale firm, northern retailers would be unable to procure their goods except perhaps from limited local sources of supply. Other segments of the region's economy engaged in or directly affected by wholesaling which will benefit from research in this area, are the numerous transportation agencies, warehouse facilities and financial institutions that help to facilitate the flow of products through the wholesale channels of distribution. In addition, government agencies involved in the planning of business development within the region will benefit directly from research into this important aspect of the North's economic base. In fact, even the consuming public is ultimately affected by the wholesaling system of marketing within the region. As the efficiency of the system indirectly contributes to their rising standard of living, they too, will benefit from an increased understanding of the operations of wholesale institutions.

It has been said that the vast northwestern part of Canada is the last remaining large area on the North American continent which is rich in potential resources and still largely undeveloped (Manning, 1965). This puts northern Alberta, its businessmen and its organization in a very unique position. It is not only the resources of the northern part of Alberta but its very geographic location that undoubtedly will

result in the northern communities of Alberta becoming more and more the bases of operation for future development beyond the northern provincial boundary into the Yukon and Northwest Territories, as this resource and industrial development reaches farther into northern Canada (Manning, 1965). However, a prerequisite to this role of servicing northern development is the improvement of existing infrastructure particularly with respect to the channels of distribution. Therefore, this study represents an attempt to provide a detailed and accurate assessment of the present situation and future requirements with respect to the North's channels of distribution so that the potential of northern communities as centres of supply for future development and the benefits accruing from the provision of such services will be maximized. In particular, an analysis of the infrastructural requirements for the establishment of a local or regional wholesaling industry will be presented, and some of the problems associated with the development of such an indigenous wholesale marketing organization in northern Alberta, the Yukon and Northwest Territories will be discussed.

## Purpose and Objectives

This study will attempt to systematically analyse selected aspects of wholesale trade in northern Alberta, the Yukon and the Northwest Territories, with particular emphasis on wholesale marketing in selected major service centres in these regions. The primary focus of this research is to establish the nature and extent of the centres' forward and backward wholesale linkages between points of origin and consumption. Because of its advantageous position at the entrance to this vast northern hinterland, the study will focus on Edmonton's

role as the main supply and transportation centre for northern Alberta, the Yukon and the Northwest Territories; particularly in the light of the suggested gradual shift from Edmonton to Vancouver as a source of supply for these regions. It is in this context that Edmonton's role as an *"unraveling point of trade"* and as a *"gateway"* to the North will be examined. In addition, the study will attempt to determine the role of wholesaling in the region's channels of distribution, the efficiency of its organization and the role of the industry as a stimulus to economic development in the communities and regions of the vast Canadian Northwest. Reference also will be made to the present and expected impact of the wholesaling industry on Alberta's economy, particularly in the light of estimated future demands for northern development. Also, because this study has been designed primarily as an exercise of applied geographic research, it will include a set of recommendations for improving the efficiency of the region's channels of distribution and wholesale marketing organization, so that they will provide a more effective stimulus to regional economic development and meet the needs of expected future northern development.

The objectives of this study may be summarized as follows:

(i) to identify and study selected aspects of wholesale trade in northern Alberta, the Yukon and the Northwest Territories, with particular emphasis on the wholesale marketing organization of these regions' major service centres;

(ii) to establish the nature and magnitude of the forward and backward wholesale linkages between various selected northern communities and their sources of supply;

(iii) to examine Edmonton's role as the main supply and transportation centre for northern Alberta, the Yukon and the Northwest Territories, in light of competition from Vancouver;

(iv) to determine the role of wholesaling in the aforementioned regions' channels of distribution, the efficiency of its organization, and the role of this sector as a stimulus to economic development in the study area;

(v) to determine the present importance of the wholesale sector on the northern economy;

(vi) to project future levels of sales, employment, income and revenues based on population and market trends;

(vii) to provide a set of recommendations for streamlining the wholesale flow of goods and services, so that it will provide a more effective stimulus to regional economic development in the North.

# CHAPTER II

# METHODOLOGY

The lack of structural theory and sophisticated techniques of analysis for wholesale marketing necessitates a research design and methodology based on standard economic geographic research and field techniques. The methodology used in this study essentially falls into two related parts:

(i) Field Research - utilizing questionnaire and direct personal interview techniques with wholesalers in Edmonton, and with wholesalers and the users of wholesale services in selected northern communities.

(ii) Library Research - which utilized published literature on wholesaling and a number of statistical sources published by various government and private agencies, including the Alberta Bureau of Statistics, municipal, provincial and federal government departments, agencies, trade journals, etc.

In the absence of reliable published data related to wholesale trade and on linkages between industries within the study area, and to provide a sufficiently accurate view of the contribution of each industry to the local and northern economies, data for the study were collected by means of a detailed market survey. The results of this survey are believed to afford a true indication of the direction and volume of wholesale goods flowing through the region's channels of distribution.

## Areal Considerations

Because of the nature of this survey, the study was divided into two parts—the Edmonton Wholesale Trade Survey and the Northern Alberta Wholesale Trade Survey. The geographical delimitation of the

northern population was arbitrarily defined in terms of those northern Alberta communities considered potentially the most important with respect to future economic development in the North. Some consideration was given to obtaining a geographical delimitation of communities so that all regions of northern Alberta were represented in the study area. Broadly defining northern Alberta as that part of the province north of the City of Edmonton (approximately $53^{o}$ N), seven northern Alberta communities were selected for the purpose of this analysis. These seven centres include Grande Prairie, Peace River, St. Paul, Edson, Whitecourt, Slave Lake and Fort McMurray. Because of an expressed concern over the apparent gradual shift from Edmonton to Vancouver as a source of supply for northern British Columbia, the Yukon and the Northwest Territories, three communities from the far North were selected for purpose of this survey. These communities include Whitehorse, in the Yukon, and Yellowknife and Inuvik in the Northwest Territories. Figure 1 illustrates the approximate boundaries of the survey study area and the location of the centres surveyed for the purpose of this analysis.

Except for the Town of Fort McMurray, fieldwork was conducted in all northern communities during the Spring of 1975. Because the writer was unable to travel to Fort McMurray at the time of the original survey, a mail questionnaire was used to survey the wholesalers and user firms in this community. For unavoidable reasons, this special mail survey was delayed until the Spring of 1976. Identical questionnaires were used and data pertaining to the year ending December 31st, 1973, were requested in both surveys (Appendices E and F).

Figure 1. Wholesale Trade Survey: Edmonton and Selected Northern Communities

## The Edmonton Wholesale Trade Survey

The population of Edmonton wholesaling establishments used in this survey was derived from several data sources. These various sources included (1) Dun and Bradstreet DMI punched computer cards, (2) Dun and Bradstreet DMI visual format cards, (3) the Dun and Bradstreet Reference Book (November, 1974), and (4) a computer print-out of the wholesale firms statistically surveyed by the Alberta Bureau of Statistics. From the combination of these various data sources a population of 1,387 Edmonton wholesaling establishments was derived.

From this population of Edmonton wholesaling firms a stratified random sample was selected. The sample of wholesale establishments to be surveyed in the study was obtained by dividing the population of Edmonton wholesaling firms into 17 homogenous segments,[1] selecting at random a ten per cent sample from each of these strata. Table 1 summarizes the population size and the size of the sample selected from each of the stratum. To ensure true randomness, random numbers were used to select the ten per cent sample within each stratum. The procedure used to select the sample from each wholesale class is essentially the same as the one suggested by Moser (1958).[2]

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[1] The seventeen-category wholesale classification system used throughout this study is a modified 1967 U.S. Standard Industrial Classification (SIC) for Wholesale Trade (Major Group 50). This industrial classification system is described in detail in the Introduction of the study and descriptions of each wholesale category appear in Appendix A.

[2] Each member of the population was assigned a number and a ten per cent sample was then selected using random number tables. Kendall and Babington Smith (1961) was used as the source of random numbers.

Table 1

Population and Sample Size by Type of Wholesale Establishment, Edmonton Wholesale Trade Survey

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 172 | 17 |
| Drugs, Chemicals and Allied Products | 64 | 6 |
| Piece Goods, Notions, Apparel | 38 | 4 |
| Groceries and Related Products | 87 | 9 |
| Farm Product - Raw Materials | 9 | 1 |
| Electrical Goods | 103 | 10 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 89 | 9 |
| Machinery, Equipment and Supplies | 439 | 44 |
| Metals and Minerals, n.e.c. | 32 | 3 |
| Petroleum and Petroleum Products | 24 | 2 |
| Scrap and Waste Materials | 13 | 1 |
| Tobacco and Its Products | 2 | 1 |
| Beer, Wine and Distilled Alcoholic Beverages | - | - |
| Paper and Its Products | 20 | 2 |
| Furniture and Home Furnishings | 46 | 5 |
| Lumber and Construction Materials | 118 | 12 |
| Miscellaneous Wholesalers, n.e.c. | 131 | 13 |
| TOTAL | 1,387 | 139 |

Initially, it was hoped that the entire sample of 139 Edmonton wholesalers could be surveyed by the personal interview technique. However, because of a number of problems encountered during the early stages of the fieldwork, it was decided to abandon this technique and adopt in its place, a mail questionnaire survey method. The primary reason for abandoning the personal interview technique was because of the time required to contact the individual to be interviewed, to set up an appointment and to conduct the interview. The interview and the mail questionnaires were kept almost identical in format. Both questionnaires were similarly structured to obtain detailed information about the nature

of the wholesaling sector in Edmonton, its employment, the types of products its distributes, etc.; about the nature and extent of its linkages to the North; and about some of the problems it faces in serving this relatively inaccessible market (see Appendices C and D).

Fieldwork for the Edmonton Wholesale Trade Survey commenced in December of 1974. Unfortunately, because of year-end inventory and stock-[illegible] combined with the "Christmas rush" experienced by most wholesalers at this time of year, only 15 personal interviews were completed between December 5th and December 16th, 1974. The main problem in conducting these personal interviews was the difficulty in making contact with the individual to be interviewed. For example, out of approximately 45 wholesale firms contacted during these first few weeks of the fieldwork, only two made appointments on the same day they were contacted, and over half made appointments for the following week.

As a result of the problems associated with attempting to personally interview each firm's owner or manager, it was decided to survey the remainder of the sample by means of a mail questionnaire. The mail questionnaire as a data-collecting technique has both advantages and limitations (Moser, 1958, p. 184). Relative cheapness and speed are its most important advantages, while the problem of non-response stands out as its major limitation (Moser, 1958). Anticipating the problem of securing an adequate response in a mail questionnaire survey, each firm was contacted by telephone in advance. As a result of this procedure, 125 Edmonton wholesaling firms were contacted and agreed to participate in the survey. Combined with the 15 personal interviews completed prior to the mail survey, these 139 establishments represent a

10.0 per cent sample of the population of Edmonton wholesaling firms.

Of the 125 firms which agreed to participate in the survey, only 62 firms or 49.6 per cent actually responded by returning a questionnaire. Of those questionnaires returned, two were considered unreliable because of partial completion and seven were discarded because they were returned uncompleted. Follow-up telephone requests produced a further 11 reliable questionnaires, combining for a total return of 64 usable questionnaires or 51.2 per cent of the sample. Reasons for non-response to this mail survey ranged all the way from complete refusal or inability to respond (where the firm was not a wholesaler) to simply mislaying the questionnaire, forgetfulness and reluctance to take the trouble to respond despite the initial promise made.

Whereas a 30 to 40 per cent response rate is generally acceptable for the analysis of a sample of the general population, it was felt that a much higher response was required because of the special nature of this particular population. In order to obtain the required number of questionnaires to make up for the non-responses, a second mail questionnaire was sent out. The same procedures were used, with each firm being contacted in advance. On the basis of the return from the first survey, an additional 175 questionnaires were mailed out. Sixty-seven questionnaires were returned (38.3 per cent of the second sample) of which only 60 were regarded as reliable (34.3 per cent of the sample), and the rest discarded because they were returned uncompleted.

Combining the results of the two mail surveys and the 15 personal interviews, completed questionnaires were obtained for 139 Edmonton wholesaling establishments which represents 10.0 per cent of the statistical population. Although the procedure used to obtain this sample

return was not quite as effective as had been anticipated, the overall results were satisfactory. It is interesting to note that even with a 100 per cent sample agreeing, in each survey, to complete their questionnaire, only 51.2 per cent and 34.3 per cent in each of the respective surveys actually responsed with a reliable questionnaire. Table 2 summarizes the survey responses to the Edmonton Wholesale Trade Survey.

On the whole, response to the survey was very good and those firms contacted expressed a great deal of interest in the study. Generally speaking, all questions were answered and the response to the format of the questionnaire was good. Considering the reputation of the wholesaling sector as one of maintaining an atmosphere of secrecy concerning their operations, response to this survey was extremely good and the quality of the data from the questionnaires was remarkably high. In view of this excellent response on the part of the wholesaling sector, it would appear that this hostile attitude towards research in the field of wholesale marketing has all but disappeared, as progressive wholesaling executives have come to appreciate the mutual benefits of exchanging their experience and problems with others. As Table 2 illustrates, the degree with which wholesalers responded to the survey varied from one type of wholesaling activity to another. Excluding the Tobacco and Its Product sector because of its small size, the best response to the survey was exhibited by the Piece Goods, Notions, Apparel sector and the Motor Vehicles and Automotive Equipment sector, manifesting 60.0 and 50.0 per cent response rates respectively to the combined surveys. On the other hand, the Farm Product - Raw Materials sector and the Petroleum and Petroleum Products sector displayed the worst response rates to the questionnaire, manifesting a complete non-

Table 2

Survey Response by Type of Wholesaler,
Edmonton Wholesale Trade Survey

| Type of Wholesaler | Interviews | Number of Questionnaires Sent Out | | | Number of Questionnaires Returned | | | Per Cent Returned | | | Per Cent of Total Establishments |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 1+2 | 1 | 2 | 1+2 | 1 | 2 | 1+2 | |
| Motor Vehicles and Automotive Equipment | 13 | 4 | 10 | 14 | 2 | 5 | 7 | 50.0 | 50.0 | 50.0 | 11.6 |
| Drugs, Chemicals and Allied Products | 1 | 5 | 8 | 13 | 2 | 4 | 6 | 40.0 | 50.0 | 46.2 | 10.9 |
| Piece Goods, Notions, Apparel | - | 4 | 6 | 10 | 3 | 3 | 6 | 75.0 | 50.0 | 60.0 | 15.8 |
| Groceries and Related Products | - | 9 | 18 | 27 | 4 | 6 | 10 | 44.4 | 33.3 | 37.0 | 11.5 |
| Farm Product - Raw Materials | - | 1 | 4 | 5 | 0 | 0 | - | - | - | - | - |
| Electrical Goods | - | 10 | 12 | 22 | 5 | 5 | 10 | 50.0 | 41.7 | 45.4 | 9.7 |
| Hardware, and Plumbing and Heating Equipment and Supplies | - | 9 | 14 | 23 | 4 | 6 | 10 | 44.4 | 42.9 | 43.5 | 11.2 |
| Machinery, Equipment and Supplies | 1 | 44 | 48 | 92 | 26 | 18 | 44 | 59.1 | 37.5 | 47.8 | 10.2 |
| Metals and Minerals, n.e.c. | - | 3 | 6 | 9 | 1 | 1 | 2 | 33.3 | 16.7 | 22.2 | 6.2 |
| Petroleum and Petroleum Products | - | 2 | 6 | 8 | 0 | 1 | 1 | - | 16.7 | 12.5 | 4.2 |
| Scrap and Waste Materials | - | 1 | 3 | 4 | 1 | 0 | 1 | 100.0 | - | 25.0 | 7.7 |
| Tobacco and Its Products | - | 1 | 0 | 1 | 1 | - | 1 | 100.0 | - | 100.0 | 50.0 |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - | - | - | - | - | - | - | - |
| Paper and Its Products | - | 2 | 5 | 7 | 0 | 1 | 1 | - | 20.0 | 14.3 | 5.0 |
| Furniture and Home Furnishings | - | 5 | 7 | 12 | 2 | 1 | 3 | 40.0 | 14.3 | 25.0 | 6.5 |
| Lumber and Construction Materials | - | 12 | 11 | 23 | 8 | 3 | 11 | 66.7 | 27.3 | 47.8 | 9.3 |
| Miscellaneous Wholesalers, n.e.c. | - | 13 | 17 | 30 | 5 | 6 | 11 | 38.5 | 35.3 | 36.7 | 8.4 |
| TOTAL | 15 | 125 | 175 | 300 | 64 | 60 | 124 | 51.2 | 34.3 | 41.3 | 10.0 |

response and 12.5 per cent respectively. On the average, there was a 40.9 per cent return in each of the 15 categories which responded to the questionnaire.

## The Northern Alberta Wholesale Trade Survey

Unlike the Edmonton Wholesale Trade Survey, analysis of the wholesale marketing organizations of the selected northern communities consisted of two interrelated parts—a survey sample of northern wholesaling establishments and a sample of variegated business enterprises and government agencies which rely on wholesaling firms for their supplies of goods. Throughout the study these two interrelated surveys are referred to as the Northern Alberta Wholesale Trade Survey, Part I and Part II, respectively.

In addition to surveying a sample of northern wholesaling establishments, the second phase of this research project included a survey sample from each of the major economic sectors including agriculture; forestry and fisheries; mining; construction; manufacturing; transportation and communication; retail trade; finance, insurance and real estate; services; and government. Unfortunately, not all economic sectors are represented in the samples from each northern community. Reasons for non-response in some sectors ranged from refusal to participate in the survey by all representatives of that sample, to the situation where a particular economic sector was not represented in the community being surveyed.

The population of northern wholesaling establishments was derived primarily from two data sources. These sources were the DMI punched computer cards, similar to those used in the Edmonton survey,

and the Dun and Bradstreet Reference Book (November, 1974). The population of user enterprises in Part II of the survey was taken primarily from the Dun and Bradstreet Reference Book (November, 1974). Both population data sources were supplemented by using the telephone directories in each centre as a cross-check with those wholesaling firms appearing in the Dun and Bradstreet sources. From the combination of these various data sources a relatively complete and accurate list of northern businesses was derived. Field observations were also used to check the accuracy of these data sources.

From the population of northern wholesaling establishments, a stratified random sample was selected. The sample of northern wholesaling firms was obtained by dividing the statistical population into homogenous segments using the industrial classification system outlined earlier in the study, selecting at random a twenty-five per cent sample from each of the respective strata.[3] The population and sample sizes selected from each of the strata in the various northern communities are summarized in Appendix G. The procedure used to select the sample from each wholesale class was similar to the one used in the Edmonton Wholesale Trade Survey; that is, each member of the population was assigned a number and a representative sample was selected from each stratum using random number tables.

The survey sample of user enterprises was selected by dividing the population of non-wholesaling establishments in each community into

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[3] Because of the problem of non-response associated with the mail survey of Fort McMurray, the total population of wholesaling establishments was surveyed.

nine homogenous segments corresponding to the major economic sectors identified in the Standard Industrial Classification Manual (Bureau of the Budget, 1967), selecting at random a ten per cent sample from each of the stratum.[4] Appendix H summarizes the population and sample distributions for each of the user surveys.

The format of the questionnaire used to survey the northern wholesaling establishments was almost identical to the one used in the Edmonton Wholesale Trade Survey. The questionnaire was structured to obtain information about the nature of the wholesaling sector in each northern community, its employment, the types of products it distributes; about the nature and extent of its linkages to its major sources of supply; and about some of the problems it faces serving its market areas (Appendix E). The questionnaire used to survey the non-wholesaling establishments in each community was purposely kept very brief, and attempted to elicit information concerning the nature of the user enterprise, the sector from which it purchased its supplies, the location of its suppliers, and some of the problems regarding procurement of these supplies (Appendix E).

In order to overcome the vital limitation of non-response in mail surveys, a form of the personal interview method of collecting data was adopted for the northern surveys. Except for Fort McMurray, questionnaires used in the northern surveys were delivered in person, using each visit to explain the purpose and method of the survey and to elicit cooperation from each potential respondent. After a short period of

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[4] In the case of Fort McMurray, a 25 per cent sample of user firms was selected for the special mail survey.

time, usually two or three days, each of the questionnaires was collected in person, using the return visit to clear up difficulties, check answers and ensure completeness of the returned questionnaire. The success of this survey method can be seen in Table 3, which summarizes the response rates to the surveys in each northern community. As Table 3 illustrates, the response rates were remarkably high, reaching 100 per cent in more than one community. The response rates associated with the questionnaire/interview technique used in this study are even more remarkable in light of the comparatively poor rate of response to the mail survey of Fort McMurray. The primary advantage of using this method of data collection as opposed to a formal interviewing procedure is that it allows the respondent sufficient time to answer each question, particularly those questions requiring detailed and often calculated responses. In more than one case, the respondent commented that he was able to give more accurate answers to those questions requiring some calculation than would have been possible in a "doorstep interview".

Using this combined method of data collection, personal contact was made with 52 northern wholesaling firms, representing 38.8 per cent of the total number of wholesale establishments, and with 168 user enterprises, representing 10.9 per cent of the total population of non-wholesaling establishments in the ten communities surveyed. Although most questionnaires were collected on the return visit, in some cases it was necessary to have the respondent mail the completed questionnaire in a stamped, self-addressed envelope.

Response to the questionnaires varied both by economic sector and community surveyed. Response from all sectors was high in Peace River, Slave Lake and Inuvik, where response rates of nearly 100 per

Table 3

Survey Response by Location,
Northern Alberta Wholesale Trade Survey

| Location | Survey | Number of Questionnaires Sent Out | Number of Questionnaires Returned | Per Cent Returned | Per Cent of Total Establishments |
|---|---|---|---|---|---|
| Grande Prairie | Wholesale | 30 | 14 | 46.7 | 26.4 |
| | User | 42 | 35 | 83.3 | 8.6 |
| Peace River | Wholesale | 4 | 4 | 100.0 | 50.0 |
| | User | 17 | 16 | 94.1 | 10.4 |
| St. Paul | Wholesale | 7 | 4 | 57.1 | 28.6 |
| | User | 13 | 12 | 92.3 | 11.0 |
| Edson | Wholesale | 8 | 3 | 37.5 | 27.3 |
| | User | 16 | 14 | 87.5 | 9.5 |
| Whitecourt | Wholesale | 3 | 1 | 33.3 | 25.0 |
| | User | 14 | 11 | 78.6 | 8.0 |
| Slave Lake | Wholesale | 3 | 3 | 100.0 | 42.9 |
| | User | 13 | 13 | 100.0 | 11.6 |
| Fort McMurray | Wholesale | 11 | 2 | 18.2 | 18.2 |
| | User | 49 | 14 | 28.6 | 7.5 |
| Whitehorse | Wholesale | 14 | 7 | 50.0 | 25.0 |
| | User | 26 | 22 | 84.6 | 8.5 |
| Yellowknife | Wholesale | 3 | 2 | 66.7 | 40.0 |
| | User | 16 | 11 | 68.8 | 7.4 |
| Inuvik | Wholesale | 3 | 3 | 100.0 | 75.0 |
| | User | 11 | 9 | 81.8 | 12.3 |
| TOTAL | Wholesale | 86 | 43 | 50.0 | 29.7 |
| | User | 217 | 157 | 72.4 | 9.1 |

cent were manifested in both surveys. On the other hand, response to the survey by wholesaling establishments in Grande Prairie, Edson, Whitecourt and Fort McMurray were by comparison, remarkably low. On the whole, response to the user survey was consistently high in all communities (Table 3).

To overcome the problem of non-response, follow-up telephone reminders were used for all non-respondents. In cases where the non-response rate in the wholesaling sector resulted in survey samples of less than the required 25 per cent, a contingency sample was selected and surveyed by means of a mail questionnaire. Because of the relatively low response rates by wholesalers in Grande Prairie, Edson, Whitecourt, Whitehorse and Fort McMurray, contingency samples were selected and surveyed in this way. The response rates illustrated in Table 3 include the results of these follow-up surveys.

# CHAPTER III

## THE WHOLESALING STRUCTURE OF EDMONTON AND THE NORTH

When applied to an industry or trade, the term "structure" denotes composition, size, organization and spatial pattern (Hill, 1963, p. 24). The wholesaling structure may be defined as that complex of business establishments which are functioning to move the products of industry through the channels of distribution from primary and other producers to retail outlets or to industrial consumers (Beckman, Engle and Buzzell, 1959, p. 87). In this way, the wholesaling structure includes all public and private agencies which contribute to the physical flow of merchandise or to change in ownership up to the point where the goods reach the hands of retailers or industrial users (Beckman, Engle and Buzzell, 1959). Discussion of the wholesaling structure, as presented in this study, covers the activities of wholesale establishments only, and excludes the specialized service agencies which facilitate the wholesale marketing process. Facilitating agencies, such as the transportation system, while performing wholesale distribution functions, are treated in this survey as separate economic activities which affect the operating efficiency of the wholesale marketing organization but do not confine themselves exclusively to wholesaling functions. In conforming to Hill's (1963) use of the term "structure", the wholesale trade of northern Alberta, the Yukon and the Northwest Territories is treated in this study in terms of its types of establishments, its organizational characteristics, the kinds of markets in which it operates and the nature of its geographical distribution. Because of its strategic position with respect to supplying the North, special attention is

focussed on the role of the Edmonton wholesaling structure on development in these northern regions.

## Edmonton Wholesaling Structure

Edmonton's advantageous geographical position at the entrance to an extended northern hinterland has contributed to its development as the main supply and transportation centre for northern and central Alberta, the Yukon and the Northwest Territories. It is a city characterized by an important involvement in functions associated with distance such as transportation, wholesaling and long-distance trade. As reflected in the structure of its employment (Table 4), transportation and wholesaling constitute a significant portion of Edmonton's

Table 4

Industrial Structure of Metropolitan Edmonton, 1971

| | |
|---|---|
| Total Population | 495,702 |
| Per Cent of Population Employed | 44.1 |
| Per Cent of Labour Force Employed | |
| Agriculture | 1.7 |
| Forestry | 0.1 |
| Fishing and Trapping | 0.0 |
| Mines, Quarries and Oil Wells | 2.0 |
| Manufacturing | 11.4 |
| Construction | 8.4 |
| Transportation and Communication | 9.3 |
| Trade | 17.3 |
| Wholesale | 5.3 |
| Retail | 12.0 |
| Finance, Insurance and Real Estate | 4.4 |
| Services | 27.6 |
| Public Administration and Defense | 10.4 |
| Unspecified or Undefined | 7.4 |
| All Industries | 100.0 |

Source: Statistics Canada, 1971, Census of Canada.

economic base.[1]

According to Hill (1963, p. 53), *"the principal characteristic of the wholesaling structure is the variety of establishments which compose it"*. To appreciate the nature of this structure, it is necessary to become acquainted with its more important features. In this section of the study, the wholesaling structure of Edmonton and its component parts are described, analyzed and critically evaluated.

## Composition

Within the wholesaling structure of Edmonton there are more than 1,300 establishments encompassing a wide variety of different kinds of business enterprises (Table 5). Among the more important kinds of wholesaling establishments, the Machinery, Equipment and Supplies sector, the Motor Vehicles and Automotive Equipment sector, the Lumber and Construction Materials sector, and the Electrical Goods sector, stand out in terms of the number of establishments comprising each sector, together accounting for 60.0 per cent of Edmonton's wholesaling business enterprises. In terms of the total number of business establishments comprising the Edmonton wholesaling structure, the Machinery, Equipment and Supplies sector and the Motor Vehicles and Automotive Equipment sector, by themselves, account for 44.1 per cent of the total number of Edmonton wholesaling establishments.

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[1] Analysis of Edmonton's economic base has shown a high proportion of basic workers in construction, wholesale trade, transportation and government. For a detailed analysis of Edmonton's economic base, see Sherbaniuk (1957), Maxwell (1965) and Anderson (1968).

Table 5

Types of Wholesale Establishments, Edmonton

| Type of Wholesale | Number of Establishments | Per Cent of Total Establishments |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 172 | 12.4 |
| Drugs, Chemicals and Allied Products | 64 | 4.6 |
| Piece Goods, Notions, Apparel | 38 | 2.8 |
| Groceries and Related Products | 87 | 6.3 |
| Farm Product - Raw Materials | 9 | 0.7 |
| Electrical Goods | 103 | 7.4 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 89 | 6.4 |
| Machinery, Equipment and Supplies | 439 | 31.7 |
| Metals and Minerals, n.e.c. | 32 | 2.3 |
| Petroleum and Petroleum Products | 24 | 1.7 |
| Scrap and Waste Materials | 13 | 1.0 |
| Tobacco and Its Products | 2 | 0.1 |
| Beer, Wine and Distilled Alcoholic Beverages | - | - |
| Paper and Its Products | 20 | 1.4 |
| Furniture and Home Furnishings | 46 | 3.3 |
| Lumber and Construction Materials | 118 | 8.5 |
| Miscellaneous Wholesalers, n.e.c. | 131 | 9.4 |
| TOTAL | 1,387 | 100.0 |

Sources: Dun and Bradstreet, 1974, DMI Punched Computer Cards.
Dun and Bradstreet, 1974, Dun and Bradstreet Reference Book.
Alberta Bureau of Statistics, 1973.

As pointed out by Beckman, Engle and Buzzell (1959, p. 99), the diversity of the wholesaling structure gives rise to the need for classification of the establishments so as to permit systematic analysis of their sales and operations. This need is clearly recognized by census agencies and is reflected in the distinctions commonly made by wholesale trade associations in gathering and publishing various statistics. This same need was recognized in the adoption of the seventeen-category

industrial classification system for wholesalers used throughout this report.

In addition to a system of classification which recognizes differences based on the kinds of business enterprises and the nature and extent of the lines of merchandise handled, a system of differentiating wholesale middlemen operations based on their methods of operations and functions performed is also used in this study. A fundamental division of the wholesaling structure is made in terms of six major types of middlemen operations. This division actually represents a hybrid classification of wholesale establishments based on ownership, method of operation, and certain other factors (Beckman, Engle and Buzzell, 1959, p. 100). As outlined earlier in the study, these six major segments include merchant wholesalers, manufacturers' sales outlets, merchandise agents or brokers, petroleum bulkplants and terminals, assemblers of farm products and retail warehousing and purchasing offices.[2]

In Edmonton, as in most areas previously surveyed[3], merchant wholesalers are the most numerous type of establishment, accounting for 63.7 per cent of the total number of wholesaling enterprises (Table 6). It should be pointed out that this figure represents only those firms responding to the questionnaire by indicating only one type of wholesale operation. Of the 139 wholesaling establishments surveyed, 102 firms considered themselves as only one type of wholesaling enterprise. If multiple responses are included, then the merchant wholesale class

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[2] Definitions of each of these types of middlemen operations appear in Appendix B.

[3] See Beckman, Engle and Buzzell (1959), Revzan (1961) and Goss (1973).

Table 6

Type of Wholesale Operations,
Edmonton

| Type of Wholesale Middleman | Per Cent of Total Establishments[1] |
|---|---|
| Merchant Wholesalers | 63.7 |
| Manufacturers' Sales Outlets | 24.5 |
| Branches (with warehouse stocks) | (19.6) |
| Offices (without warehouse stocks) | ( 4.9) |
| Merchandise Agents or Brokers | 4.9 |
| Petroleum Bulkplants and Terminals | 1.0 |
| Assemblers of Farm Products | 4.9 |
| Retail Warehousing and Purchasing Offices | 1.0 |
| | 100.0 |

[1] Adjusted to exclude multiple responses.

Source: Questionnaire Survey.

accounts for 70.5 per cent of those firms surveyed. As indicated, Table 6 illustrates the percentage distribution of types of wholesale middlemen operations for those 102 firms which considered themselves as basically one type of middleman operation.

Second only to merchant wholesalers, manufacturers' sales branches and offices, with and without warehouse stocks, collectively accounted for 24.5 per cent of those firms surveyed. Together, these two classes of middlemen operations accounted for approximately 88 per cent of Edmonton wholesaling establishments. The remaining 12 per cent was accounted for by the four remaining classes of wholesaling establishments—merchandise agents or brokers, approximately 5 per cent; petroleum bulkplants and terminals, 1 per cent; assemblers of farm products, approximately 5 per cent; and retail warehousing and purchasing offices,

1 per cent.[4]

A cross tablulation of the principal types of wholesaling establishments for each of the six major kinds of middlemen operations is contained in Table 7. As expected, the merchant wholesaling class stands out as the most numerous for almost all types of wholesaling establishments, followed next by the manufacturers' sales outlet category and the agent or broker category.

Size Characteristics

According to Hill (1963, p. 53), *"wholesaling is predominately an industry of small businesses"*. Results of this study would tend to support this statement given that 42.3 per cent of all wholesale establishments surveyed have no more than 9 employees. Indeed, only 5.8 per cent have 80 employees or more (Table 8). The 137 wholesaling establishments reporting employment data in this survey accounted for 2,870 or 24.6 per cent of Edmonton's 1971 employees in wholesale trade. The average employment for firms in the sample survey was 20.9 employees. The 310 part-time employees documented in this survey represent a mean of 6.3 employees for the 49 establishments reporting part-time employment. The number of establishments and percentage distributions in each category for male and female permanent and part-time employees is contained in Tables 9 and 10. As these tables tend to indicate, whole-

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[4] Adjusting these figures to account for multiple responses results in the following percentage distribution of types of middlemen operations: manufacturers' sales outlets, 39.6 per cent; merchandise agents or brokers, 18.7 per cent; petroleum bulkplants and terminals, 0.7 per cent; assemblers of farm products, 7.9 per cent; and retail warehousing and purchasing offices, 5.8 per cent.

Table 7

Types of Wholesale Establishments by Kinds of Middlemen Operations[1], Edmonton

| Types of Wholesale Establishments | Per Cent of Middleman Operation | | | | | | |
|---|---|---|---|---|---|---|---|
| | Merchant Wholesaler | Manf. Sales Branch | Manf. Sales Office | Agent or Broker | Petro. Bulk-Plant | Assem-bler | Retail Ware-house |
| Motor Vehicles and Automotive Equip. | 73.7 | 21.0 | - | 5.3 | - | - | - |
| Drugs, Chemicals and Allied Products | 40.0 | 40.0 | - | 20.0 | - | - | - |
| Piece Goods, Notions, Apparel | 100.0 | - | - | - | - | - | - |
| Groceries and Related Products | 42.8 | 28.6 | - | 14.3 | - | 14.3 | - |
| Farm Product - Raw Materials | - | - | - | - | - | - | - |
| Electrical Goods | 42.8 | 28.6 | 28.6 | - | - | - | - |
| Hardware, and Plumbing and Heating Equipment and Supplies | 100.0 | - | - | - | - | - | - |
| Machinery, Equipment and Supplies | 57.6 | 24.2 | 6.1 | 3.0 | - | 6.1 | 3.0 |
| Metals and Minerals, n.e.c. | 100.0 | - | - | - | - | - | - |
| Petroleum and Petroleum Products | - | - | - | - | 100.0 | - | - |
| Scrap and Waste Materials | 100.0 | - | - | - | - | - | - |
| Tobacco and Its Products | 100.0 | - | - | - | - | - | - |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - | - | - | - |
| Paper and Its Products | - | - | - | - | - | - | - |
| Furniture and Home Furnishings | 50.0 | - | - | 50.0 | - | - | - |
| Lumber and Construction Materials | 50.0 | 33.3 | 16.7 | - | - | - | - |
| Miscellaneous Wholesalers, n.e.c. | 80.0 | - | - | - | - | 20.0 | - |

[1] Adjusted to exclude multiple responses.

Source: Questionnaire Survey.

Table 8

Employment Size in Wholesale Trade, Edmonton

| Permanent Employment | Number of Establishments[1] | Per Cent of Total Establishments[1] | Part-time Employment | Number of Establishments[2] | Per Cent of Total Establishments[2] |
|---|---|---|---|---|---|
| 1 - 4 | 30 | 21.9 | 1 - 4 | 39 | 79.6 |
| 5 - 9 | 28 | 20.4 | 5 - 9 | 4 | 8.2 |
| 10 - 19 | 36 | 26.3 | 10 - 19 | 4 | 8.2 |
| 20 - 39 | 24 | 17.5 | 20 - 39 | 1 | 2.0 |
| 40 - 79 | 11 | 8.0 | 40 - 79 | - | - |
| 80 or more | 8 | 5.8 | 80 or more | 1 | 2.0 |
| Total | 137 | 100.0 | Total | 49 | 100.0 |

[1] Reporting permanent employment

[2] Reporting part-time employment

Source: Questionnaire Survey.

sale trade employment in Edmonton is generally male dominated, with almost 60 per cent of the firms reporting less than 4 permanent female employees (Table 9).

The distribution of establishments by employment size differs considerably among different types of wholesalers (Tables 11 and 12). By far, the largest proportion of petroleum bulkplants and general merchandise agents are relatively small operators, that is, establishments with less than 9 permanent employees. As one might expect, there is a greater proportion of relatively large establishments, that is, those with 40 or more employees, among those wholesaling enterprises more directly associated with developmental industries in the North, such as those supplying chemicals, motor vehicles, machinery and equipment, hard-ware, lumber and construction materials (Table 11). Again,

Table 9

Permanent Employment in Wholesale Trade, by Sex, Edmonton

| Male | | | Female | | |
|---|---|---|---|---|---|
| Employment | Number of Establish-ments | Per Cent of Total Establish-ments | Employment | Number of Establish-ments | Per Cent of Total Establish-ments |
| 1 - 4 | 41 | 29.5 | 1 - 4 | 82 | 59.0 |
| 5 - 9 | 23 | 16.5 | 5 - 9 | 14 | 10.1 |
| 10 - 19 | 40 | 28.8 | 10 - 19 | 9 | 6.5 |
| 20 - 39 | 15 | 10.8 | 20 - 39 | 8 | 5.8 |
| 40 - 79 | 11 | 7.9 | 40 - 79 | 1 | 0.7 |
| 80 or more | 5 | 3.6 | 80 or more | - | - |

Source: Questionnaire Survey.

Table 10

Part-time Employment in Wholesale Trade, by Sex, Edmonton

| Male | | | Female | | |
|---|---|---|---|---|---|
| Employment | Number of Establish-ments | Per Cent of Total Establish-ments | Employment | Number of Establish-ments | Per Cent of Total Establish-ments |
| 1 - 4 | 25 | 18.0 | 1 - 4 | 28 | 20.1 |
| 5 - 9 | 4 | 2.9 | 5 - 9 | 4 | 2.9 |
| 10 - 19 | 2 | 1.4 | 10 - 19 | 1 | 0.7 |
| 20 - 39 | 1 | 0.7 | 20 - 39 | - | - |
| 40 - 79 | - | - | 40 - 79 | - | - |
| 80 or more | 1 | 0.7 | 80 or more | - | - |

Source: Questionnaire Survey.

Table 11

Percentage Distribution of Wholesale Establishments, by Employment Size, Edmonton

| Type of Wholesaler | Per Cent of Employment | | | | | |
|---|---|---|---|---|---|---|
| | 1 - 4 | 5 - 9 | 10 - 19 | 20 - 39 | 40 - 79 | 80 or more |
| Motor Vehicles and Automotive Equipment | 15.0 | 15.0 | 30.0 | 10.0 | 20.0 | 10.0 |
| Drugs, Chemicals and Allied Products | 57.1 | - | 14.3 | - | 14.3 | 14.3 |
| Piece Goods, Notions, Apparel | 16.7 | 33.3 | 16.7 | 16.7 | 16.7 | - |
| Groceries and Related Products | 50.0 | 20.0 | 10.0 | 10.0 | - | 10.0 |
| Farm Product - Raw Materials | - | - | - | - | - | - |
| Electrical Goods | 10.0 | 20.0 | 40.0 | 20.0 | 10.0 | - |
| Hardware, and Plumbing and Heating Equipment and Supplies | 20.0 | 20.0 | 20.0 | 20.0 | 10.0 | 10.0 |
| Machinery, Equipment and Supplies | 18.6 | 18.6 | 34.9 | 23.3 | 4.7 | - |
| Metals and Minerals, n.e.c. | - | - | - | 50.0 | 50.0 | - |
| Petroleum and Petroleum Products | - | 100.0 | - | - | - | - |
| Scrap and Waste Materials | - | - | - | 100.0 | - | - |
| Tobacco and Its Products | - | 100.0 | - | - | - | - |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - | - | - |
| Paper and Its Products | - | - | - | - | - | - |
| Furniture and Home Furnishings | 33.3 | 33.3 | - | 33.3 | - | - |
| Lumber and Construction Materials | 18.2 | 27.3 | 36.4 | - | - | 18.2 |
| Miscellaneous Wholesalers, n.e.c. | 27.3 | 18.2 | 18.2 | 27.3 | - | 9.1 |
| TOTAL | 21.9 | 20.4 | 26.3 | 17.5 | 8.0 | 5.8 |

Source: Questionnaire Survey.

Table 12

Employment Statistics by Type of Wholesale Establishment, Edmonton, 1971

| Type of Wholesaler | Employment | | Total Employment | Per Cent of Total Employment |
|---|---|---|---|---|
| | Male | Female | | |
| Motor Vehicles and Automotive Equipment | 1,270 | 290 | 1,560 | 13.4 |
| Drugs, Chemicals and Allied Products | 170 | 155 | 325 | 2.8 |
| Piece Goods, Notions, Apparel | 105 | 80 | 185 | 1.6 |
| Groceries and Related Products | 850 | 330 | 1,180 | 10.1 |
| Farm Product - Raw Materials | 135 | 35 | 170 | 1.4 |
| Electrical Goods | 570 | 110 | 680 | 5.8 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 585 | 185 | 770 | 6.6 |
| Machinery, Equipment and Supplies | 2,735 | 520 | 3,255 | 27.9 |
| Metals and Minerals, n.e.c. | 180 | 35 | 215 | 1.8 |
| Petroleum and Petroleum Products | 350 | 120 | 470 | 4.0 |
| Scrap and Waste Materials | 155 | 15 | 170 | 1.5 |
| Tobacco and Its Products | 20 | 5 | 25 | 0.2 |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - |
| Paper and Its Products | 160 | 80 | 240 | 2.1 |
| Furniture and Home Furnishings | 120 | 15 | 135 | 1.2 |
| Lumber and Construction Materials | 1,025 | 170 | 1,195 | 10.2 |
| Miscellaneous Wholesalers, n.e.c. | 740 | 350 | 1,090 | 9.4 |
| TOTAL | 9,170 | 2,485 | 11,655 | 100.0 |

Source: Statistics Canada, 1971, Census of Canada.

the Machinery, Equipment and Supplies category and the Motor Vehicles and Automotive Equipment category dominate, collectively accounting for 41.3 per cent of Edmonton's employment in wholesale trade. Next in importance in terms of employment size is the Lumber and Construction Materials sector and Groceries and Related Products sector, which accounted for 10.2 and 10.1 per cent, respectively, of Edmonton's wholesale trade employment in 1971 (Table 12).

In addition to obtaining comparative employment statistics by type of wholesale establishment, the survey attempted to determine what employment prospects were expected by each of the various types of wholesaling activities. The results of the response to this query are summarzied in Table 13. Adjusting for non-response to this particular question, it was found that 59.1 per cent of those surveyed expected no change in the level of their employment. In fact, many of those surveyed expressed no desire whatsoever to increase their employment over the next year. The primary reason for maintaining present employment levels relates to the difficulties now being faced by many businesses with respect to finding reliable and skilled labour willing to work. Several of the Edmonton wholesalers interviewed commented on the costs accruing from employee recruiting and training which more often than not ended with the new employee quitting and seeking alternative employment elsewhere. The problems associated with labour turnover in the wholesaling industry will be dealt with in more detail later in the study.

Not all wholesale establishments expected to maintain present employment levels. In fact, 36.5 per cent of those responding to this particular aspect of the survey expected some increase in the levels of

Table 13

Expected Employment by Type of Wholesale Establishment, Edmonton

| Type of Wholesaler | Per Cent - Expected Employment[1] | | |
|---|---|---|---|
| | Less | No Change | Greater |
| Motor Vehicles and Automotive Equipment | 10.0 | 45.0 | 45.0 |
| Drugs, Chemicals and Allied Products | 14.3 | 71.4 | 14.3 |
| Piece Goods, Notions, Apparel | - | 66.7 | 33.3 |
| Groceries and Related Products | - | 70.0 | 30.0 |
| Farm Product - Raw Materials | - | - | - |
| Electrical Goods | 10.0 | 60.0 | 30.0 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 10.0 | 50.0 | 40.0 |
| Machinery, Equipment and Supplies | 2.3 | 58.1 | 39.5 |
| Metals and Minerals, n.e.c. | - | - | 100.0 |
| Petroleum and Petroleum Products | - | 100.0 | - |
| Scrap and Waste Materials | - | 100.0 | - |
| Tobacco and Its Products | - | 100.0 | - |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - |
| Paper and Its Products | - | - | 100.0 |
| Furniture and Home Furnishings | - | 66.7 | 33.3 |
| Lumber and Construction Materials | - | 54.5 | 45.5 |
| Miscellaneous Wholesalers, n.e.c. | - | 81.8 | 18.2 |
| TOTAL | 4.4 | 59.1 | 36.5 |

[1] Less = expected employment less than present employment.
No Change = expected employment equal to present employment.
Greater = expected employment greater than present employment.

Source: Questionnaire Survey.

their employment. On the whole, employment increases were expected to be small, on the average between 1 and 2 additional employees. Six firms or 4.4 per cent surveyed indicated an expected decline in employment.

Just as there is great diversity among wholesaling establishments in terms of employment size, there is great diversity in terms of sales volume. In the sample survey, 132 establishments reported sales volume data, ranging from a reported low of $40,000 to a high of just over $45 million in 1973. The average sales volume for the sample survey was $2,788,000. Tables 14 and 15 summarize the survey responses to each of the selected sales volume categories, both for the sample survey as a whole and by type of wholesale establishment..

Table 14

Percentage Distribution of Wholesale Sales, Edmonton

| Sales ($) | Number of Establishments[1] | Per Cent of Total Establishments[1] |
|---|---|---|
| Less than 100,000 | 7 | 5.3 |
| 100,000 - 499,999 | 26 | 19.7 |
| 500,000 - 999,999 | 20 | 15.2 |
| 1,000,000 - 2,499,999 | 38 | 28.8 |
| 2,500,000 - 4,999,999 | 19 | 14.4 |
| 5,000,000 or more | 22 | 16.7 |
| TOTAL | 132 | 100.0 |

[1] Reporting sales volume.

Source: Questionnaire Survey.

Table 15

Wholesale Sales by Type of Establishment,
Edmonton

| Type of Wholesaler | Per Cent of Sales ($) | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 100,000 | 100,000-499,999 | 500,000-999,999 | 1,000,000-2,499,999 | 2,500,000-4,999,999 | 5,000,000 or more |
| Motor Vehicles and Automotive Equipment | 10.0 | 30.0 | 5.0 | 30.0 | 20.0 | 5.0 |
| Drugs, Chemicals and Allied Products | 14.3 | 14.3 | 14.3 | 14.3 | 14.3 | 28.6 |
| Piece Goods, Notions, Apparel | - | 20.0 | - | 60.0 | 20.0 | - |
| Groceries and Related Products | - | 33.3 | 33.3 | 11.1 | - | 22.2 |
| Farm Product - Raw Materials | - | - | - | - | - | - |
| Electrical Goods | - | 20.0 | - | 10.0 | 30.0 | 40.0 |
| Hardware, and Plumbing and Heating Equipment and Supplies | - | 25.0 | 12.5 | 25.0 | 25.0 | 12.5 |
| Machinery, Equipment and Supplies | 7.1 | 14.3 | 23.8 | 38.1 | 7.1 | 9.5 |
| Metals and Minerals, n.e.c. | - | - | - | 50.0 | - | 50.0 |
| Petroleum and Petroleum Products | - | - | - | - | - | 100.0 |
| Scrap and Waste Materials | - | - | - | - | 100.0 | - |
| Tobacco and Its Products | - | - | 100.0 | - | - | - |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - | - | - |
| Paper and Its Products | - | 100.0 | - | - | - | - |
| Furniture and Home Furnishings | - | - | - | 66.7 | 33.3 | - |
| Lumber and Construction Materials | - | 18.2 | 9.1 | 36.4 | - | 36.4 |
| Miscellaneous Wholesalers, n.e.c. | 9.1 | 18.2 | 18.2 | 9.1 | 27.3 | 18.2 |
| TOTAL | 5.3 | 19.7 | 15.2 | 28.8 | 14.4 | 16.7 |

Source: Questionnaire Survey.

As might be expected from previous trends established in this survey, the Machinery, Equipment and Supplies sector and the Motor Vehicles and Automotive Equipment sector again stand out as the two most important types of wholesaling establishments in terms of total reported sales volume. Together these two sectors accounted for 33.5 per cent of Edmonton wholesale sales in 1973. However, unlike its previous size characteristics in terms of number of establishments or number of employees, the Petroleum and Petroleum Products category ranks third in the survey in terms of total sales volume. When the number of firms reporting sales volume in each sector is taken into account, and the mean sales volume for each category is calculated, this important sector stands out even further (Table 16).

A cross tabulation of each of the sales volume categories for the six employment groups is contained in Table 17. The cross tabulation of these two sets of data would seem to indicate a dominant position for the relatively large wholesale establishments, where 85.7 per cent of those firms with 80 or more employees have sales volumes in excess of $5 million annually. At the very least, some relationship between employment size and sales volume is suggested. To test the statistical significance of this hypothesized relationship, a chi squared value was computed for the cross tabulated sets of data. This calculation resulted in a chi squared value of 90.042, with 25 degrees of freedom, and an associated probability of very close to zero. If the probability value of 0.05 is accepted as the boundary line between statistical significance and nonsignificance, one is forced to reject the null hypothesis and conclude that some relationship does exist between the two variables in the population. In order to measure the

Table 16

Wholesale Sales Volume and Calculated Mean,
by Type of Establishment, Edmonton

| Type of Wholesaler | Sales ($) | Per Cent of Total Establish-ments[1] | Mean ($) | Number of Establish-ments[1] |
|---|---|---|---|---|
| Motor Vehicles and Automotive Equipment | 50,731,000 | 13.8 | 2,536,550.00 | 20 |
| Drugs, Chemicals and Allied Products | 25,700,000 | 7.0 | 3,671,428.57 | 7 |
| Piece Goods, Notions, Apparel | 7,100,000 | 2.0 | 1,420,000.00 | 5 |
| Groceries and Related Products | 14,600,000 | 4.0 | 1,622,222.22 | 9 |
| Farm Product - Raw Materials | - | - | - | - |
| Electrical Goods | 42,100,000 | 11.4 | 4,210,000.00 | 10 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 17,100,000 | 4.6 | 2,137,500.00 | 8 |
| Machinery, Equipment and Supplies | 72,481,000 | 19.7 | 1,725,738.10 | 42 |
| Metals and Minerals, n.e.c. | 8,250,000 | 2.2 | 4,125,000.00 | 2 |
| Petroleum and Petroleum Products | 45,000,000 | 12.2 | 45,000,000.00 | 1 |
| Scrap and Waste Materials | 3,000,000 | 0.8 | 3,000,000.00 | 1 |
| Tobacco and Its Products | 750,000 | 0.2 | 750,000.00 | 1 |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - |
| Paper and Its Products | 300,000 | 0.1 | 300,000.00 | 1 |
| Furniture and Home Furnishings | 5,750,000 | 1.6 | 1,916,666.67 | 3 |
| Lumber and Construction Materials | 37,920,000 | 10.3 | 3,447,272.73 | 11 |
| Miscellaneous Wholesalers, n.e.c. | 37,260,100 | 10.1 | 3,387,181.82 | 11 |
| TOTAL | 368,042,100 | 100.0 | 2,788,197.73 | 132 |

[1] Reporting sales volume.

Source: Questionnaire Survey.

Table 17

Employment Size by Volume of Wholesale Sales, Edmonton

| Employment | Per Cent of Sales($) | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 100,000 | 100,000-499,999 | 500,000-999,999 | 1,000,000-2,499,999 | 2,500,000-4,999,999 | 5,000,000 or more |
| 1-4 | 14.3 | 53.6 | 10.7 | 14.3 | 7.1 | - |
| 5-9 | - | 28.0 | 32.0 | 28.0 | 4.0 | 8.0 |
| 10-19 | 5.7 | 5.7 | 17.1 | 45.7 | 14.3 | 11.4 |
| 20-39 | - | 8.3 | 8.3 | 33.3 | 29.2 | 20.8 |
| 40-79 | - | - | - | 27.3 | 27.3 | 45.5 |
| 80 or more | - | - | - | - | 14.3 | 85.7 |

Source: Questionnaire Survey.

degree of association between the two variables, employment size and sales volume, a Pearson product-moment correlation coefficient was computed. A statistically significant 'r' value of 0.322 was calculated for the data. Again the null hypothesis ($r = 0$) was rejected, and it was possible to conclude that there exists some degree of association between the two variables. However, with an 'r' value of 0.322 the degree of association is obviously not very strong. Interpreted as an index of relationship between these two variables, the correlation coefficient suggests that while a positive association exists between the two variables, that is, as employment size increases so does the volume of sales, the magnitude or significance of this relationship is quite small.

Field observations would tend to verify this statistical correlation. Whereas it was certainly possible to find a wholesaling establishment of significant size, that is, with 20 or more employees,

exhibiting a sales volume in excess of $5 million annually, it was just as common among wholesale agents, to find a one or two man operation with a gross sales volume of over $1 million. Because of the nature of the wholesale agent operation, where the broker does not take title to the merchandise involved in the transaction, and in many cases, does not take physical possession of the goods sold, it is possible for a very small business in terms of employment size to generate a significant gross sales volume.

Organization

Whereas wholesaling has been traditionally characterized as an industry of single-unit independent firms, results of this survey would tend to suggest that the Edmonton wholesaling structure is characterized by a number of multi-unit organizations, whose members are independently owned but voluntarily affiliated to the manufacturer or retailer of the merchandise they handle.

Multi-unit wholesaling systems in Edmonton include both vertically and horizontally integrated firms. The vertically integrated firms refer to those wholesale establishments which act as distributing subsidiaries of what are essentially manufacturing enterprises. Vertical integration can also occur between wholesalers and retailers. The horizontally integrated establishments usually belong to either a wholesale chain or a branch-house wholesaler, which maintains establishments in different locations. These establishments may or may not bear the same name as the main establishment or conduct the same kind of wholesale business. One good example of this exists in Edmonton, where a service wholesaler in the grocery trade operates a separate cash-and-

carry branch, in addition to also operating a truck jobbing business.

Most definitions of multi-unit organizations emphasize common ownership, which implies at least financial control over member establishments by a parent company or central office (Hill, 1963, p. 55). However, as Hill (1963) points out, a definition of this type excludes an important group of multi-unit organizations in wholesale trade frequently identified as "voluntary chains" or groups. Members of the voluntary chain are independently owned but voluntarily affiliated, with each member establishment assuming full financial responsibility for its own operations. Rather than being directly owned, each member is subject to a degree of centralized managerial control under loosely defined contractual arrangements. Wholesaler-sponsored voluntary chains differ widely in matters of detail, but their purpose and general methods of operation are very similar and for the most part the chain is essentially a means of mutual protection for independent wholesalers and retailers (Hill, 1963, p. 55).

According to some observers, the amount of direct trading between manufacturer and retailer has increased and the larger organizations have found it expedient to integrate vertically into the wholesaling function, or some part of it (Simons, 1966, p. 3). Through vertical integration, large manufacturers and retailers are able to obtain the economies of scale asssociated with direct marketing, in addition to the profit margin formerly going to the wholesale middleman (Simons, 1966). This trend toward diversification has led to an apparent decline in the importance of the wholesaling function. However, as Simons (1966, p. 3) points out, this decline in importance is more apparent than real, since the function of wholesaling is not being

eliminated, just that control of some parts of the function is changing hands. By assuming the facilitating functions of warehousing, transportation, financing and risk bearing, manufacturers and retailers are able to exercise greater control over their sources and outlets. In this way, vertical integration makes possible the elimination of a basic problem associated with the independent wholesaler; that is, an inability to devote sufficient sales effort to any single product line (Simons, 1966, p. 5).

Of the 137 wholesaling establishments which responded to this question in the survey, 81 firms or 59.1 per cent of the respondents indicated some form of connection with the manufacturer or retailer of the products they sold. By far the largest proportion of wholesaling establishments, 41.6 per cent, indicated direct ownership by the associated enterprise (Table 18). A further 23.4 per cent indicated an

Table 18

Forms of Vertical Integration Among Edmonton Wholesalers

| Form of Integration | Per Cent of Total Establishments |
|---|---|
| Affiliate (direct ownership) | 41.6 |
| Subsidiary | 10.4 |
| Interlocking directorate | 5.2 |
| Cooperative | 1.3 |
| Exclusive dealer franchise | 23.4 |
| Restrictive controls (licensing, contracts, etc.) | 1.3 |
| Trade association | 1.3 |
| Gentlemens' agreement | 5.2 |
| Other combination | 10.4 |
| | 100.0 |

Source: Questionnaire Survey.

exclusive dealer franchise arrangement with the manufacturer. Another 10.4 per cent of those wholesaling establishments surveyed reported themselves as subsidiaries of large manufacturing corporations. As Table 18 illustrates, almost all types of integration can be found in the Edmonton wholesaling structure.

The geographical distribution of manufacturers and retailers vertically integrated in the Edmonton wholesaling structure varied widely among wholesaling establishments. Of the 71 firms reporting the locations of their parent companies, 32.4 per cent indicated connections to a manufacturer or retailer in Ontario, principally southern Ontario in the Toronto-Hamilton area; 29.6 per cent indicated affiliations with Alberta based enterprises; 18.3 per cent with companies in the United States; and 7.0 per cent reported being integrated with businesses in British Columbia. The remaining 12.6 per cent identified connections with firms located in Saskatchewan (1.4%), Manitoba (2.8%), Quebec (2.8%), Europe (4.2%) and Japan (1.4%).

The trend towards increased direct trading between manufacturers and retailers in the Edmonton marketing structure is not a recent phenomenon among Edmonton wholesalers, but apparently has existed for as long as most companies have been in business. In fact, 86.9 per cent of those wholesaling establishments reporting some form of vertical integration have always been connected with the manufacturer or retailer of their product line. However, for the remaining 13.1 per cent it is a fairly recent trend, as over 50 per cent have become connected to a manufacturer or retailer in the last five years.

Another aspect of the organization of Edmonton's wholesaling structure analysed in this survey relates to the location of head office

and branch outlets among multi-unit organizations. With 139 firms reporting head office locations, 73 Edmonton wholesaling firms (52.5%) indicated that the establishment being surveyed was the head office of their company. The head offices of the remaining 66 Edmonton wholesaling establishments are geographically dispersed over six provinces, Ontario (37.9%), Alberta (18.2%), British Columbia (18.2%), Manitoba (16.7%), Quebec (4.5%), Saskatchewan (3.0%), and the United States (1.5%). For the most part, these head offices are located in the provinces' major metropolitan areas, including the Toronto-Hamilton area, Calgary, Vancouver, Winnipeg, Montreal, Regina and Saskatoon.

In addition to data on head office affiliations, Edmonton wholesaling establishments were queried with respect to the location of branch outlets connected to their firm. Twenty-three wholesale establishments in the sample survey reported having branch outlets in the Edmonton area. Another 82 firms or 59.0 per cent of the wholesaling enterprises surveyed indicated having branch outlets elsewhere in Canada and the United States. For these 82 firms, 46.3 per cent specified locations in Alberta, 17.1 per cent identified locations in Saskatchewan and 14.6 per cent reported branch outlets in British Columbia. The remainder specified branch outlet locations in Ontario (6.1%), Manitoba (4.9%), Northwest Territories (4.9%), Quebec (4.9%), and the United States (Alaska) (1.2%). By far the greatest proportion of those establishments reporting branch outlets, 48.9 per cent, indicated only one branch outlet, and over 80 per cent specified less than five branch outlet locations connected to the establishment being surveyed.

When asked specifically about the location of branch outlets in northern communities, only 8.6 per cent of the survey sample indicated

having branches in the North. Among the centres identified as having branch outlets, only one, Grande Prairie, was identified by more than one firm. Other centres specified in the survey with branch outlets of Edmonton wholesaling establishments include Edson, Jasper, Fairview, Dawson Creek, Fort St. John, Fort McMurray, Lloydminster, Prince Albert, Hay River, Yellowknife, Inuvik, Whitehorse, and Anchorage, Alaska. The exact nature and extent of the wholesale linkages to these northern communities will be dealt with in greater detail later in the study.

## Functions and Processes

As Revzan (1961, p. 6) points out, wholesaling involves the same group of processes and functions applicable to the whole field of marketing. Generally speaking, three categories of functions at the wholesale level can be identified: (1) functions of exchange and contact; (2) functions of physical distribution; and (3) facilitating or auxiliary functions (Revzan, 1961).

Without going into great detail in terms of the specialized functions performed by the multitude of middlemen operations, it is possible to identify a number of key wholesale functions performed by most wholesaling establishments, and perhaps more importantly, which are recognized as specific wholesale functions by the operators themselves. In the sample survey of Edmonton wholesaling establishments, four key functions stood out as being readily identifiable as uniquely 'wholesale' in nature. First, 57.6 per cent of Edmonton's wholesaling establishments specified a form of merchandising involving the assemblage of goods, usually in large lots, which were subsequently sorted and redistributed. Secondly, most firms surveyed indicated that their establishments main-

tained complete inventories of most items handled. Thirdly, most wholesaling enterprises in Edmonton maintain warehouse storage and physical distribution facilities, which may involve one or more aspects of sorting, grading and repacking of merchandise handled. And fourthly, a key service provided by wholesaling establishments in the sample survey is the provision of delivery services.

Other functions of exchange and contact identified in the survey included buying and selling tactics of marketing involving salesmen who canvass the market area on a regular basis, and the use of agents to negotiate and facilitate purchases and sales for others. Some wholesaling establishments also indicated merchandising services involving the purchasing of goods that are carried in inventory from foreign-based sources, which they resell on the domestic market (importers), and conversely, the selling of domestically produced goods to foreign-based buyers (exporters).

Additional functions of physical distribution specified in the survey included various aspects of traffic management, including routing of all shipments, establishing the frequency of shipments, timing of dispatches and returns, and making the best use of transportation facilities. Some wholesaling enterprises surveyed also ensured proper packaging of the merchandise they distributed.

Among the facilitating functions mentioned in the survey, are the provision of an array of promotional aids and kindred services. Many Edmonton wholesalers render technical advice and assistance, including new product information, inventory control, sales planning, and the like. The installation, service and repair of merchandise sold is another auxiliary function performed by wholesaling establishments in the sample

survey. Other related services identified in the survey include the provision of financial assistance through the extension of credit and the collection of receivables, planning their client's product distribution and developing promotional strategies, supervising the pricing and distribution of merchandise to dealers, and arranging periodic "clinic" sessions with dealers. Some firms in the survey even become involved in setting product specifications, engineering and design, building displays, locating merchandise sources, collecting credit information, and conducting market research.

In summary, it would appear that the Edmonton wholesaling structure is involved in all aspects of exchange and contact, physical distribution and facilitating functions, as suggested by Revzan (1961). Results of the survey would tend to indicate that all aspects of merchandising, buying and selling, transportation and storage, standardization and grading, financing, communication and research, and risk bearing are manifested in whole or in part by all types of Edmonton wholesaling establishments and kinds of middlemen operations.

## Site Characteristics

In view of the specialized functional and operational requirements of most wholesaling institutions with respect to the need for large warehouse and storage areas, loft buildings and the like, it is not surprising to find that 83.5 per cent of the survey sample of Edmonton wholesalers are located in a combination office-warehouse type building. Only 7.9 per cent occupy office space alone, with almost all of this being accounted for by wholesale agents and brokers. The structures themselves are generally two stories high (to a maximum of eight stories

in the sample survey), with over 97 per cent of all establishments surveyed occupying one or two-storied buildings. Forty-six per cent surveyed maintained some sort of showroom facilities. The ages of the buildings occupied by Edmonton wholesalers ranged from brand new (occupied only a few months) to structures over 40 years old. Approximately 70 per cent of the buildings were less than 20 years old, and about a quarter of them were under 5 years old.

As almost all wholesalers physically handle the goods they sell, it is not surprising that Edmonton wholesaling establishments find it "important" to be located near transportation facilities (Tables 19 and 20). With the need to purchase transportation services and the demand by retailers and other customers for fast, prompt deliveries, proximity to transportation is an important locational consideration, particularly for those wholesaling institutions which do not have their own trucks or alternative transport facilities. Similarly, the importance of communication and control to efficient wholesale marketing in the North is partially reflected in the importance of proximity to telephone and communication company offices.

As the functional requirements of most wholesaling establishments require them to maintain large inventories and provide storage facilities for their suppliers, it is not surprising to find wholesalers locating near additional warehouse and storage facilities. Similarly, as many wholesalers extend credit to their customers and thus often find it necessary to borrow from banks themselves, they too find it convenient to locate near banks or other financial institutions. As Table 20 illustrates, the mean ratings of proximity to warehouses and banks fall between "not important" and "important". According to Goss (1973,

Table 19

Percentage Distribution of Proximity Ratings, by Type of Supporting Business, Edmonton

| Type of Business | Per Cent of Rating | | | |
|---|---|---|---|---|
| | Very Important | Important | Not Important | Not Used |
| Transport facilities | 43.9 | 32.4 | 22.3 | - |
| Warehouse and storage facilities | 25.9 | 20.9 | 32.4 | 16.5 |
| Banks and other financial institutions | 6.5 | 36.7 | 48.2 | 5.8 |
| Telephone and communication company offices | 21.6 | 30.2 | 41.7 | 3.6 |
| Other wholesalers, brokers and agents | 5.8 | 32.4 | 41.7 | 14.4 |
| Other businesses | 3.6 | 2.9 | 0.7 | - |

Source: Questionnaire Survey.

Table 20

The Importance of Proximity to Supporting Businesses for Edmonton Wholesalers

| Rank | Type of Business | Mean | Rating[1] |
|---|---|---|---|
| 1 | Transport facilities | 1.8 | Important |
| 2 | Telephone and communication company offices | 2.3 | Important |
| 3 | Warehouse and storage facilities | 2.5 | Not Important |
| 4 | Banks and other financial institutions | 2.6 | Not Important |
| 5 | Other wholesalers, brokers and agents | 2.8 | Not Important |
| 6 | Other businesses | 3.8 | Not Used |

[1] Where 1.0 - 1.4 = Very Important, 1.5 - 2.4 = Important, 2.5 - 3.4 = Not Important, and 3.5 - 4.0 = Not Used.

Source: Questionnaire Survey; after Goss (1973).

p. 53), who constructed a similar table for hardware wholesalers in New England,[5] proximity to banks is "important" to small general-line and specialized merchant wholesalers, while "not important" to manufacturers, large merchant wholesalers, and agents and brokers. These wholesalers tend not to locate near banks because they either have their own financing sources or do not extend credit to their customers. The same kind of reasoning can be used to explain the proximity rating for additional warehouse and storage facilities. Smaller specialized wholesalers may not be able to maintain adequate storage facilities to meet fluctuations in demand, and therefore find it necessary to rely on additional warehouse and storage facilities located elsewhere.

## Summary and Conclusions

On the basis of this survey it is possible to conclude that Edmonton's wholesaling structure is a highly complex system, characterized by a great diversity of conditions in various industries and great variety in the types of products passing through this system. Consistent with Revzan's (1963, p. 30) findings, this survey concludes that the complexities of the Edmonton wholesaling structure give rise to highly varied types of wholesale establishments and kinds of middlemen operations, characterized by varying degrees of completeness of functions and

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[5] Using similar survey procedures, Goss (1973, p. 54) constructed an identical table for hardware wholesalers in New England. The results of his calculations bear a close resemblance to the results of this survey: transportation company facilities, 2.0; banks and other financial offices, 2.5; telephone and communication offices, 2.6; warehouse company facilities, 2.7; freight forwarder facilities, 2.7; other wholesalers, 3.0; and other businesses, 3.9.

of managerial control, offering a variety of product assortments, and displaying significant differences in adaptation to the geographical aspects of wholesaling. Similarly, there is great diversity in terms of employment size and volume of sales. At one extreme are the one-man operations handling a few items and serving a limited number of customers in a relatively small metropolitan market area; at the other extreme are the full-line wholesale establishments employing over one hundred persons and serving customers many miles distant from the establishment. In the same way, sales volume varies greatly among Edmonton wholesaling establishments from a low of $40,000 to a high of over $45 million annually.

Among Edmonton wholesaling establishments, several categories of wholesale enterprises stand out in terms of the number of establishments, employment size and gross volume of sales. By far the most important in terms of all three criteria are the Machinery, Equipment and Supplies sector and the Motor Vehicles and Automotive Equipment sector. Other important sectors identified in the survey include the Lumber and Construction Materials sector, the Petroleum and Petroleum Products sector, the Electrical Goods sector and the Groceries and Related Products sector. As pointed out earlier in the study, all of these sectors which stand out in terms of composition and size are closely linked to various aspects of economic development in the North, and as we shall see later in the study, when we examine the nature of the structure of northern wholesaling in more detail, each of these sectors plays an important role in the developmental aspects of the region's economy.

Using chi square analysis and a Pearson product-moment correlation coefficient it was possible to determine the degree of association

between employment and sales volume among Edmonton wholesaling establishments. Results of these computations indicated that while a positive relationship did exist between the two variables, the magnitude of this relationship was quite small, indicating that it was possible, and indeed common in some sectors of the structure, for very small firms to exhibit remarkably high sales volume.

Whereas the literature has tended to characterize the organization of the wholesaling structure as one of many single-unit independent firms, results of this survey would tend to indicate a structure of Edmonton wholesaling establishments characterized by a number of multi-unit enterprises, vertically and horizontally integrated. Edmonton wholesale firms are tending to devote more and more attention to individual lines by handling a limited number of complementary lines from one, or perhaps two, manufacturers. The vertically integrated manufacturer can then obtain specialized sales-promotion from the wholesaler, and yet maintain strict control over selling costs. As Simons (1966, p. 5) points out, modern transportation methods enable the manufacturer to ship goods directly to the customer and thereby obtain economies in inventory control by holding fewer stocks in one central warehouse.

Results of this survey also tend to show strong links to eastern Canada, particularly Ontario, both in terms of the location of parent companies in vertically and horizontally integrated enterprises and in terms of related head office locations. For branch outlet affiliations, geographic distributions are dispersed; however, preliminary analysis indicates the possibility of strong linkages to northern communities. The systematic analysis of these trade connections

will take up much of the remainder of this study.

Analysis of the functions and processes of Edmonton wholesaling establishments indicates great variety in terms of services performed and the structure tends to conform well with traditional classifications of wholesale functions found in most literature on the subject.

Site characteristics, in terms of types of buildings and the importance of proximity to supporting businesses, also tends to support findings of previous research. By far the most important locational consideration would appear to be proximity or access to transportation facilities. As 58.3 per cent of all Edmonton wholesaling establishments have loading docks, and 23.0 per cent have access to a rail spur line, it is possible to conclude that adequate transport services are a key infrastructural requirement for wholesale establishments serving the Edmonton market area.

In conclusion, the organizations through which wholesale middlemen in Edmonton conduct their business represent a variety of sizes, affiliations, organizational forms and industry specialization. The structure of Edmonton wholesaling has been dealt with in this section in terms of its composition, size and organization. We shall now turn our attention to another important aspect of the wholesale marketing organization: its spatial patterns throughout northern Alberta, the Yukon and the Northwest Territories; the types of wholesale markets which exist in the North; and the nature of their geographical distribution.

## Northern Wholesaling Structure

The economy of the North has been undergoing significant social

and economic adjustments. Both government and private agencies have become increasingly concerned with the problems and potentials of regional economic development in Canada's northern regions. Regional economic development policies which may have proved effective in other areas of the country, do not seem appropriate in northern regions which are characterized by their vast distances, widely-scattered populations and difficult climatic conditions. This distinct combination of geography and demographic characteristics has required planners to focus special attention on the unique problems of regional economic development in the North.

Increasing industrial development in the North has brought about significant changes in the infrastructural requirements of communities associated with this development. In particular, development of the region's natural resources has created new markets in the North which require efficient channels of distribution, including transportation and wholesale trade links. An efficient transportation network has long been considered the key essential in northern economic development policies. The traditional "road to resources" approach to economic development in frontier regions has been typical of this emphasis on transportation as the key to northern development. Although it is sufficiently differentiated from other economic activities to warrant separate treatment, transportation may also be viewed as a facilitating function of a much broader aspect of a region's marketing organization —wholesale supply and distribution. As development of the North proceeds, industrial and commercial consumers will increase their demands for goods and services, which traditionally have been supplied by the wholesaling structure of an economy.

The emphasis of this study on the role of the wholesaling structure in regional economic development is not to be interpreted as debasing the role of transportation as part of this development process. Regional economic development undertaken to diversify the economic base of communities usually requires infrastructure to be present initially in communities. In particular, efficient transportation facilities are necessary to improve access by workers to new industries providing employment, and in turn by this industry to markets and raw materials. Notwithstanding the importance of transportation in the development process, other aspects of the channels of distribution are equally, if not more, important. One such aspect is the wholesaling structure of a region's marketing organization, which so far has been overlooked in most development policies.

It has been stated that wholesaling constitutes the single most important sector of the marketing organization (Revzan, 1961, p. 18). In its capacity as the primary supplier of industrial goods and services, the wholesaling structure of a region involves a wider variety of products than any other sector of the marketing organization, and involves more types of middlemen operations than does the retail trade sector. Therefore, it is the purpose of the following section of this report, to examine in detail this important aspect of the North's marketing structure.

For the purposes of this report, northern Alberta has been broadly defined as the part of the province north of the City of Edmonton, with its southern boundary at approximately $53^{o}$ North (Figure 1). Although such a definition of northern Alberta takes some liberties in terms of the parameters defining the region, the definition adopted

in this study serves the particular purposes of this market survey, because it includes all communities which are considered potentially important with respect to supplying future economic development in the North. In order to obtain a geographical delimitation of representative communities such that all regions of northern Alberta were represented in the study area, seven northern Alberta communities were selected for the purposes of detailed analysis. These seven centres as previously identified include Grande Prairie, Peace River, St. Paul, Edson, Whitecourt, Slave Lake and Fort McMurray. The three far northern communities are Whitehorse, Yellowknife and Inuvik.

Conforming to the previously defined use of the term 'structure', the wholesale trade of northern Alberta, the Yukon and the Northwest Territories is treated in this section of the study in terms of its composition, size, organization, functions, and locational characteristics. Although every attempt will be made to differentiate structural characteristics on a community-by-community basis for the study area, there will be times in the following discussion when reference will be made to aspects of the wholesaling structure for the entire region. In such cases, the study area will be collectively referred to simply as 'the North'.

## Composition

The wholesaling structure of the study area, comprising the nine northern communities surveyed, consists of over 140 establishments encompassing a variety of different types of business enterprises (Table 21). Table 21 gives a detailed breakdown of the types of wholesale establishments found in each community. Among the more important

Table 21

Types of Wholesale Establishments for Selected Northern Communities

| Location | Type of Wholesaler[1] | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | TOTAL |
| Grande Prairie | 8 | 2 | - | 7 | - | 3 | 3 | 20 | - | 4 | - | - | - | - | 1 | 2 | 3 | 53 |
| % | 15.1 | 3.8 | | 13.2 | | 5.7 | 5.7 | 37.7 | | 7.5 | | | | | 1.9 | 3.8 | 5.7 | 100.0 |
| Peace River | 3 | - | - | 3 | - | - | - | 1 | - | - | - | - | - | - | - | - | - | 8 |
| % | 37.5 | | | 37.5 | | | | 12.5 | | 12.5 | | | | | | | | 100.0 |
| St. Paul | - | - | - | 1 | 1 | 1 | 1 | 6 | - | 4 | - | - | - | - | - | - | - | 14 |
| % | | | | 7.1 | 7.1 | 7.1 | 7.1 | 42.9 | | 28.6 | | | | | | | | 100.0 |
| Edson | 2 | - | - | 1 | - | - | - | 2 | - | 6 | - | - | - | - | - | - | - | 11 |
| % | 18.2 | | | 9.1 | | | | 18.2 | | 54.5 | | | | | | | | 100.0 |
| Whitecourt | - | - | - | - | - | - | - | - | 1 | 3 | - | - | - | - | - | - | - | 4 |
| % | | | | | | | | | 25.0 | 75.0 | | | | | | | | 100.0 |
| Slave Lake | 1 | - | - | - | - | - | - | 1 | - | 5 | - | - | - | - | - | - | - | 7 |
| % | 14.3 | | | | | | | 14.3 | | 71.4 | | | | | | | | 100.0 |
| Fort McMurray | 1 | 1 | - | 1 | - | 1 | - | 2 | - | 2 | 1 | - | - | - | - | 1 | 1 | 11 |
| % | 9.1 | 9.1 | | 9.1 | | 9.1 | | 18.2 | | 18.2 | 9.1 | | | | | 9.1 | 9.1 | 100.0 |
| Whitehorse | 3 | - | - | 4 | - | 4 | 1 | 7 | 2 | 2 | - | - | - | 1 | - | - | 4 | 28 |
| % | 10.7 | | | 14.3 | | 14.3 | 3.6 | 25.0 | 7.1 | 7.1 | | | | 3.6 | | | 14.3 | 100.0 |
| Yellowknife | - | - | - | 1 | - | - | 1 | - | - | 3 | - | - | - | - | - | - | - | 5 |
| % | | | | 20.0 | | | 20.0 | | | 60.0 | | | | | | | | 100.0 |
| Inuvik | - | - | - | - | - | - | 1 | 1 | - | 2 | - | - | - | - | - | - | - | 4 |
| % | | | | | | | 25.0 | 25.0 | | 50.0 | | | | | | | | 100.0 |
| TOTAL | 18 | 3 | - | 18 | 1 | 9 | 7 | 40 | 3 | 32 | 1 | - | - | 1 | 1 | 3 | 8 | 145 |
| % | 12.4 | 2.1 | | 12.4 | 0.7 | 6.2 | 4.8 | 27.6 | 2.1 | 22.1 | 0.7 | | | 0.7 | 0.7 | 2.1 | 5.5 | 100.0 |

[1] Where 1 = Motor Vehicles and Automotive Equipment; 2 = Drugs, Chemicals and Allied Products; 3 = Piece Goods, Notions, Apparel; 4 = Groceries and Related Products; 5 = Farm Product - Raw Materials; 6 = Electrical Goods; 7 = Hardware, and Plumbing and Heating Equipment and Supplies; 8 = Machinery, Equipment and Supplies; 9 = Metals and Minerals, n.e.c.; 10 = Petroleum and Petroleum Products; 11 = Scrap and Waste Materials; 12 = Tobacco and Its Products; 13 = Beer, Wine and Distilled Alcoholic Beverages; 14 = Paper and Its Products; 15 = Furniture and Home Furnishings; 16 = Lumber and Construction Materials; and, 17 = Miscellaneous Wholesalers, n.e.c.

Sources: Dun and Bradstreet, 1974, DMI Punched Computer Cards.
Dun and Bradstreet, 1974, Dun and Bradstreet Reference Book.

kinds of wholesaling establishments in the North, four principal industrial categories stand out in most of the communities surveyed. For the region as a whole, the Machinery, Equipment and Supplies category ranks first in terms of the number of establishments, accounting for 27.6 per cent of the total number of establishments in the study area. Ranking second, in terms of the number of establishments serving the northern market, the Petroleum and Petroleum Products sector is by far the best represented class of wholesaling establishments in the North, accounting for between 7.5 and 75.0 per cent of the total number of wholesaling firms in each of the communities. This all important sector is the only one found in all of the communities surveyed, collectively accounting for 22.1 per cent of the establishments in the study area. Third and fourth respectively, in terms of their relative frequency in each community, are the Motor Vehicles and Automotive Equipment sector and the Groceries and Related Products sector. For the study area as a whole, these two sectors are equal, both accounting for approximately 12.4 per cent of the total number of wholesaling establishments in the study area.

As was the case in the Edmonton wholesaling structure, by type of wholesale middleman operation, the merchant wholesaler class ranked first in terms of the number of establishments. For the study area as a whole, this class of wholesaling operations accounted for 57.1 per cent of the total number of establishments. Petroleum bulkplants and manufacturer's sales branches accounted for the remaining 25.0 per cent and 17.8 per cent respectively. As would be expected in a developing region, the "higher order" or more specialized types of middlemen operations (such as agents and brokers, manufacturer's sales offices and

retail warehouses and purchasing offices) were totally absent within the communities surveyed. Because these so-called "higher order" wholesaling operations sell very specialized products which in many cases they do not physically handle, they must locate where it is possible to reach the largest number of potential customers. This is most economically done in large metropolitan areas. According to Goss (1973), agents and brokers manifest the highest threshold value (the minimum amount of purchasing power necessary to support the supply of a particular good or service) of all types of wholesalers. Manufacturer's sales offices and retail warehouses are less specialized than agents and brokers, but more specialized than merchants, and according to Goss (1973) have a threshold in between these categories. As the results of this survey illustrate (Table 22)[6], the "low order" merchant wholesalers locate in communities of almost any size, providing there is a market for their particular product line.

For the northern study area the merchant and petroleum wholesalers are by far the most numerous types of wholesaling operations. There are several reasons for the relative importance of these two wholesaling categories. First, these northern regions are connected to major wholesaling centres such as Edmonton and Vancouver by excellent transportation linkages and therefore it is possible for these regions to purchase their "high order" goods wholesale from manufacturers' wholesalers and agents and brokers located in these larger metropolitan

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[6] As in Table 6, the results of this table are adjusted so as to include only those wholesaling firms considering themselves only one type of wholesaling operation.

Table 22

Type of Wholesale Operations for Selected Northern Communities

| | Type of Wholesale Middleman[1] | | | | | | |
|---|---|---|---|---|---|---|---|
| | Merchant Wholesaler | Manf. Sales Branch | Manf. Sales Office | Agent or Broker | Petroleum Bulkplant | Assembler | Retail Warehouse |
| Grande Prairie | 8 | 1 | - | - | 1 | - | - |
| % | 80.0 | 10.0 | | | 10.0 | | |
| Peace River | 1 | 1 | - | - | - | - | - |
| % | 50.0 | 50.0 | | | | | |
| St. Paul | 1 | - | - | - | - | - | - |
| % | 100.0 | | | | | | |
| Edson | 1 | - | - | - | 1 | - | - |
| % | 50.0 | | | | 50.0 | | |
| Whitecourt | 1 | - | - | - | - | - | - |
| % | 100.0 | | | | | | |
| Slave Lake | 1 | - | - | - | 1 | - | - |
| % | 50.0 | | | | 50.0 | | |
| Fort McMurray | - | - | - | - | 1 | - | - |
| % | | | | | 100.0 | | |
| Whitehorse | 1 | 3 | - | - | 1 | - | - |
| % | 20.0 | 60.0 | | | 20.0 | | |
| Yellowknife | 1 | - | - | - | 1 | - | - |
| % | 50.0 | | | | 50.0 | | |
| Inuvik | 1 | - | - | - | 1 | - | - |
| % | 50.0 | | | | 50.0 | | |
| TOTAL | 16 | 5 | - | - | 7 | - | - |
| % | 57.1 | 17.8 | | | 25.0 | | |

[1] Adjusted to exclude multiple responses.

Source: Questionnaire Survey.

areas. Second, northern Canada's cold winter climate has resulted in a high consumption of oil per capita, thus benefiting petroleum wholesale distributors in these regions.

Size Characteristics

Once again the results of this survey tend to substantiate the claim that the wholesaling industry is characterized by small businesses. Of the 43 wholesalers surveyed, 65.1 per cent had less than 10 permanent employees. This compares with 42.3 per cent in the same size category for the Edmonton wholesaling structure. As Table 23 illustrates, there were no wholesaling establishments in the study area with employment of 80 or more. The 43 wholesaling establishments reporting employment data in this survey account for 416 employees or 49.5 per cent of the 1971 wholesale employment in the communities surveyed. The mean employment for firms in the sample survey was 9.7 employees (compared with 20.9 for the Edmonton wholesaling structure). Twenty-one wholesaling establishments reported part-time employees, totaling 44 for the study area. Ninety per cent of these establishments reported less than 5 part-time employees (Table 23). The average part-time employment for those firms reporting this data was 2.1 employees. The number of establishments and the percentage distributions in each size category for both male and female permanent and part-time employees is contained in Tables 24 and 25. As in the Edmonton wholesaling industry, wholesale trade in the northern regions is primarily male dominated, with 62.8 per cent of the establishments reporting less than 5 female employees. However, as 69.8 per cent of the northern wholesaling firms reported some female employees, the significance of this sector of the employment structure should not

Table 23

Employment Size in Northern Wholesale Trade

| Permanent Employment | Number of Establishments[1] | Per Cent of Total Establishments[1] | Part-time Employment | Number of Establishments[2] | Per Cent of Total Establishments[2] |
|---|---|---|---|---|---|
| 1 - 4 | 17 | 39.5 | 1 - 4 | 19 | 90.4 |
| 5 - 9 | 11 | 25.6 | 5 - 9 | 2 | 9.5 |
| 10 - 19 | 11 | 25.6 | 10 - 19 | - | - |
| 20 - 39 | 2 | 4.6 | 20 - 39 | - | - |
| 40 - 79 | 2 | 4.6 | 40 - 79 | - | - |
| 80 or more | - | - | 80 or more | - | - |
| TOTAL | 43 | 100.0 | TOTAL | 21 | 100.0 |

[1] Reporting permanent employment

[2] Reporting part-time employment.

Source: Questionnaire Survey.

Table 24

Permanent Employment in Northern Wholesale Trade

| Male | | | Female | | |
|---|---|---|---|---|---|
| Employment | Number of Establishments | Per Cent of Total Establishments | Employment | Number of Establishments | Per Cent of Total Establishments |
| 1 - 4 | 20 | 46.5 | 1 - 4 | 27 | 62.8 |
| 5 - 9 | 12 | 27.9 | 5 - 9 | 2 | 4.6 |
| 10 - 19 | 7 | 16.3 | 10 - 19 | 1 | 2.3 |
| 20 - 39 | 2 | 4.6 | 20 - 39 | - | - |
| 40 - 79 | 1 | 2.3 | 40 - 79 | - | - |
| 80 or more | - | - | 80 or more | - | - |

Source: Questionnaire Survey.

Table 25

Part-time Employment in Northern Wholesale Trade

| Male | | | Female | | |
|---|---|---|---|---|---|
| Employment | Number of Establishments | Per Cent of Total Establishments | Employment | Number of Establishments | Per Cent of Total Establishments |
| 1 - 4 | 17 | 39.5 | 1 - 4 | 9 | 20.9 |
| 5 - 9 | 2 | 4.6 | 5 - 9 | - | - |
| 10 - 19 | - | - | 10 - 19 | - | - |
| 20 - 39 | - | - | 20 - 39 | - | - |
| 40 - 79 | - | - | 40 - 79 | - | - |
| 80 or more | - | - | 80 or more | - | - |

Source: Questionnaire Survey.

be underrated.

The distribution of wholesale establishments by employment size varies both by location and type of wholesaler (Tables 26 and 27). In terms of employment, four of the communities stand out: Grande Prairie, 25.2 per cent; Peace River, 21.9 per cent; Whitehorse, 18.0 per cent; and Edson, 13.7 per cent. The remaining 21.2 per cent of the wholesaling employment is accounted for by St. Paul (7.0%), Inuvik (4.1%), Fort McMurray (3.4%), Slave Lake (3.1%), Yellowknife (3.1%), and Whitecourt (0.5%). Table 26 gives the permanent and part-time employment and the calculated means for each of the nine northern communities surveyed.

By type of wholesaler, four industrial categories account for 74.2 per cent of the employment in wholesale trade for the study area. The two more important industrial classes, Machinery, Equipment and Supplies and Petroleum and Petroleum Products, accounted for 26.0 and

Table 26

Wholesale Trade Employment for Selected Northern Communities

| Location | Permanent Employment | Mean[1] | Part-time Employment | Mean[1] |
|---|---|---|---|---|
| Grande Prairie | 105 | 7.5 | 13 | 2.2 |
| Peace River | 91 | 22.8 | 2 | 2.0 |
| St. Paul | 29 | 7.2 | 7 | 3.5 |
| Edson | 57 | 19.0 | 7 | 7.0 |
| Whitecourt | 2 | 2.0 | - | - |
| Slave Lake | 13 | 4.3 | 1 | 1.0 |
| Fort McMurray | 14 | 7.0 | 1 | 1.0 |
| Whitehorse | 75 | 10.7 | 6 | 1.2 |
| Yellowknife | 13 | 6.5 | 2 | 2.0 |
| Inuvik | 17 | 5.7 | 5 | 1.7 |
| TOTAL | 416 | 9.7 | 44 | 2.1 |

[1] Adjusted to exclude non-responses.

Source: Questionnaire Survey.

22.2 per cent of the wholesale trade employment, respectively. Next in importance were the Groceries and Related Products (14.2%) and the Motor Vehicles and Automotive Equipment (11.8%) sectors.

Tables 28 and 29 summarize the employment prospects both by location and by type of wholesale establishment for the study area as a whole. As was the case in the survey of the Edmonton wholesaling structure, the majority of firms (74.5%) reported no expected change in the present level of their employment. The remaining 25.6 per cent was divided among eight firms that reported an expected increase in their employment and three firms that expected their total employment to decline over the next year.

Table 27

Percentage Distribution of Wholesale Establishments, by Employment Size, Northern Alberta, the Yukon and the Northwest Territories

| Type of Wholesaler | Per Cent of Employment | | | | | |
|---|---|---|---|---|---|---|
| | 1 - 4 | 5 - 9 | 10 - 19 | 20 - 39 | 40 - 79 | 80 or more |
| Motor Vehicles and Automotive Equipment | 40.0 | 20.0 | 20.0 | 20.0 | - | - |
| Drugs, Chemicals and Allied Products | - | - | 100.0 | - | - | - |
| Piece Goods, Notions, Apparel | - | - | - | - | - | - |
| Groceries and Related Products | 33.3 | 16.7 | 33.3 | - | 16.7 | - |
| Farm Product - Raw Materials | - | - | - | - | - | - |
| Electrical Goods | 50.0 | 50.0 | - | - | - | - |
| Hardware, and Plumbing and Heating Equipment and Supplies | 50.0 | 50.0 | - | - | - | - |
| Machinery, Equipment and Supplies | 36.4 | 9.1 | 45.5 | - | 9.1 | - |
| Metals and Minerals, n.e.c. | 100.0 | - | - | - | - | - |
| Petroleum and Petroleum Products | 40.0 | 40.0 | 20.0 | - | - | - |
| Scrap and Waste Materials | - | - | - | - | - | - |
| Tobacco and Its Products | - | - | - | - | - | - |
| Beer, Wine and Distilled Alcholic Beverages | - | - | - | - | - | - |
| Paper and Its Products | - | - | - | - | - | - |
| Furniture and Home Furnishings | - | 100.0 | - | - | - | - |
| Lumber and Construction Materials | - | - | - | - | - | - |
| Miscellaneous Wholesalers, n.e.c. | - | - | - | 100.0 | - | - |
| TOTAL | 39.5 | 25.6 | 25.6 | 4.6 | 4.6 | - |

Source: Questionnaire Survey.

Table 28

Expected Employment by Type of Wholesale Establishment for Selected Northern Communities

| Location | S.I.C.[1] | Per Cent - Expected Employment[2] | | |
|---|---|---|---|---|
| | | Less | No Change | Greater |
| Grande Prairie | 1 | - | 100.0 | - |
| | 2 | - | 100.0 | - |
| | 4 | - | 100.0 | - |
| | 6 | - | 100.0 | - |
| | 7 | - | 100.0 | - |
| | 8 | - | 75.0 | 25.0 |
| | 10 | - | 100.0 | - |
| | 15 | 100.0 | - | - |
| | Total | 7.1 | 85.7 | 7.1 |
| Peace River | 1 | - | 100.0 | - |
| | 4 | - | 100.0 | - |
| | 8 | - | - | 100.0 |
| | 10 | - | 100.0 | - |
| | Total | - | 75.0 | 25.0 |
| St. Paul | 7 | - | 100.0 | - |
| | 8 | - | 66.7 | 33.3 |
| | Total | - | 75.0 | 25.0 |
| Edson | 4 | - | 100.0 | - |
| | 10 | - | 100.0 | - |
| | Total | - | 100.0 | - |
| Whitecourt | 9 | - | 100.0 | - |
| | Total | - | 100.0 | - |
| Slave Lake | 1 | - | - | 100.0 |
| | 8 | - | 100.0 | - |
| | 10 | 100.0 | - | - |
| | Total | 33.3 | 33.3 | 33.3 |
| Fort McMurray | 10 | - | 100.0 | - |
| | Total | - | 100.0 | - |
| Whitehorse | 1 | - | - | 100.0 |
| | 4 | 100.0 | - | - |
| | 7 | - | - | 100.0 |
| | 8 | - | 100.0 | - |
| | 9 | - | - | 100.0 |
| | 10 | - | 100.0 | - |
| | 17 | - | 100.0 | - |
| | Total | 14.3 | 42.9 | 42.9 |

Continued . . .

Table 28...Continued

| Location | S.I.C.[1] | Per Cent - Expected Employment[2] | | |
|---|---|---|---|---|
| | | Less | No Change | Greater |
| Yellowknife | 4 | - | 100.0 | - |
| | 10 | - | 100.0 | - |
| | Total | - | 100.0 | - |
| Inuvik | 7 | - | 100.0 | - |
| | 8 | - | 100.0 | - |
| | 10 | - | - | 100.0 |
| | Total | - | 66.7 | 33.3 |
| TOTAL | | 7.0 | 74.5 | 18.6 |

[1] Where 1 = Motor Vehicles and Automotive Equipment; 2 = Drugs, Chemicals and Allied Products; 3 = Piece Goods, Notions, Apparel; 4 = Groceries and Related Products; 5 = Farm Product - Raw Materials; 6 = Electrical Goods; 7 = Hardware, and Plumbing and Heating Equipment and Supplies; 8 = Machinery, Equipment and Supplies; 9 = Metals and Minerals, n.e.c.; 10 = Petroleum and Petroleum Products; 1 = Scrap and Waste Materials; 12 = Tobacco and Its Products; 13 = Beer, Wine and Distilled Alcoholic Beverages; 14 = Paper and Its Products; 15 = Furniture and Home Furnishings; 16 = Lumber and Construction Materials; and 17 = Miscellaneous Wholesalers, n.e.c.

[2] Less = Expected employment less than present employment.
No change = Expected employment equal to present employment.
Greater = Expected employment greater than present employment.

Source: Questionnaire Survey.

Just as northern wholesaling establishments varied greatly by employment size, so did their respective gross annual sales volume vary, both by community and type of wholesale establishment. In the sample survey, 37 establishments reported sales volume data, ranging from a reported low of $50,000 to a high of just over $5 million in 1973. The mean sales volume for the sample survey of reporting firms was $1,264,000.

Table 29

Expected Employment by Type of Wholesale Establishment,
Northern Alberta, the Yukon and the Northwest Territories

| Type of Wholesaler | Per Cent - Expected Employment[1] | | |
|---|---|---|---|
| | Less | No Change | Greater |
| Motor Vehicles and Automotive Equipment | - | 60.0 | 40.0 |
| Drugs, Chemicals and Allied Products | - | 100.0 | - |
| Piece Goods, Notions, Apparel | - | - | - |
| Groceries and Related Products | 16.7 | 83.3 | - |
| Farm Product - Raw Materials | - | - | - |
| Electrical Goods | - | 100.0 | - |
| Hardware, and Plumbing and Heating Equipment and Supplies | - | 75.0 | 25.0 |
| Machinery, Equipment and Supplies | - | 72.7 | 27.3 |
| Metals and Minerals, n.e.c. | - | 50.0 | 50.0 |
| Petroleum and Petroleum Products | 10.0 | 80.0 | 10.0 |
| Scrap and Waste Materials | - | - | - |
| Tobacco and Its Products | - | - | - |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - |
| Paper and Its Products | - | - | - |
| Furniture and Home Furnishings | 100.0 | - | - |
| Lumber and Construction Materials | - | - | - |
| Miscellaneous Wholesalers, n.e.c. | - | 100.0 | - |
| TOTAL | 7.0 | 74.5 | 18.6 |

[1] Less = Expected employment less than present employment.
No Change = Expected employment equal to present employment.
Greater = Expected employment greater than present employment.

Source: Questionnaire Survey.

Table 30 summarizes the survey responses to each of the selected sales volume categories for the combined surveys of the ten study settlements.

Table 30
Percentage Distribution of Northern Wholesale Sales

| Sales ($) | Number of Establishments[1] | Per Cent of Total Establishments[1] |
|---|---|---|
| Less than 100,000 | 2 | 5.4 |
| 100,000 - 499,999 | 11 | 29.7 |
| 500,000 - 999,999 | 11 | 29.7 |
| 1,000,000 - 2,499,999 | 7 | 18.9 |
| 2,500,000 - 4,999,999 | 4 | 10.8 |
| 5,000,000 or more | 2 | 5.4 |
| TOTAL | 37 | 100.0 |

[1] Reporting sales volume.

Source: Questionnaire Survey.

In previous discussions of relative importance, four industrial categories stood out in terms of the number of their establishments and their total employment size. These same northern wholesaling sectors rank high in terms of total annual sales volume, with the addition of the Hardware, and Plumbing and Heating Equipment and Supplies sector, which ranked fourth in terms of total annual sales (Table 31). Foremost in terms of sales volume as reported in this survey, is the Machinery, Equipment and Supplies sector which accounted for 33.7 per cent of the

Table 31

Percentage Distribution of Northern Wholesale Sales, by Type of Establishment

| Type of Wholesaler | Sales ($) | Per Cent of Total Sales |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 3,357,000 | 7.2 |
| Drugs, Chemicals and Allied Products | 567,000 | 1.2 |
| Groceries and Related Products | 11,100,000 | 23.7 |
| Electrical Goods | 100,000 | 0.2 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 4,766,000 | 10.2 |
| Machinery, Equipment and Supplies | 15,750,000 | 33.7 |
| Metals and Minerals, n.e.c. | 800,000 | 1.7 |
| Petroleum and Petroleum Products | 9,575,000 | 20.5 |
| Furniture and Home Furnishings | 750,000 | 1.6 |
| TOTAL | 46,765,000 | 100.0 |

Source: Questionnaire Survey.

reported northern wholesale sales. The Groceries and Related Products and Petroleum and Petroleum Products ranked second and third in total sales accounting for 23.7 and 20.5 per cent, respectively, of the total wholesale sales for the ten communities surveyed. The Hardware, and Plumbing and Heating Equipment and Supplies sector and Motor Vehicles and Automotive Equipment sector reported total sales accounting for 10.2 and 7.2 per cent of total northern wholesale sales respectively. Together these five important wholesale classes accounted for 95.3 per cent of the wholesale sales in the study settlements.

Tables 32 and 33 detail the distribution of sales volume for the study area, both by type of wholesaler and by geographic location. The two centres with the largest populations, Grande Prairie and Whitehorse, accounted for 43.1 and 20.5 per cent of the northern wholesale sales respectively. The remaining 36.4 per cent was distributed among Yellowknife (8.6%), Inuvik (8.6%), St. Paul (5.1%), Peace River (5.0%), Slave Lake (4.0%), Fort McMurray (3.2%), Edson (1.8%), and Whitecourt (0.1%).

Table 34 contains a cross tabulation of each of the sales volume categories with the six employment groups for the combined surveys of the ten selected northern settlements. Cross tabulation of these two variable groupings suggests the possibility of a relationship between employment size and volume of sales. Chi square analysis was used to test the statistical significance of a possible relationship between these two variables, and the results ($\chi^2 = 26.166$, with 15 degrees of freedom and a statistical significance of 0.036) would seem to verify the possibility that relationship does exist between employment and sales volume.[7] In order to measure the degree of association between the two variables, a Pearson product-moment correlation coefficient was computed. The resulting computations produced a statistically significant 'r' value of 0.300. It is interesting to note how very close this value corresponds to the 'r' value of 0.322 calculated for the cross tabulation of employment and sales volume for the

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[7] A probability of 0.05 was used as the boundary line between statistical significance and nonsignificance.

Table 32

Wholesale Sales by Type of Establishment,
Northern Alberta, the Yukon and the Northwest Territories

| Type of Wholesaler | Per Cent of Sales ($) | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 100,000 | 100,000-499,999 | 500,000-999,999 | 1,000,000-2,499,999 | 2,500,000-4,999,999 | 5,000,000 or more |
| Motor Vehicles and Automotive Equipment | - | 60.00 | - | 40.0 | - | - |
| Drugs, Chemicals and Allied Products | - | - | 100.0 | - | - | - |
| Piece Goods, Notions, Apparel | - | - | - | - | - | - |
| Groceries and Related Products | - | 40.0 | - | 20.0 | 20.0 | - |
| Farm Product - Raw Materials | - | - | - | - | - | - |
| Electrical Goods | - | 100.0 | - | - | - | - |
| Hardware, and Plumbing and Heating Equipment and Supplies | - | 25.0 | 25.0 | 50.0 | - | - |
| Machinery, Equipment and Supplies | - | 22.2 | 44.4 | - | 22.2 | 11.1 |
| Metals and Minerals, n.e.c. | 50.0 | - | 50.0 | - | - | - |
| Petroleum and Petroleum Products | 11.1 | 22.2 | 33.3 | 22.2 | 11.1 | - |
| Scrap and Waste Materials | - | - | - | - | - | - |
| Tobacco and Its Products | - | - | - | - | - | - |
| Beer, Wine and Distilled Alcoholic Beverages | - | - | - | - | - | - |
| Paper and Its Products | - | - | - | - | - | - |
| Furniture and Home Furnishings | - | - | 100.0 | - | - | - |
| Lumber and Construction Materials | - | - | - | - | - | - |
| Miscellaneous Wholesalers, n.e.c. | - | - | - | - | - | - |
| TOTAL | 5.4 | 29.7 | 29.7 | 18.9 | 10.8 | 5.4 |

Source: Questionnaire Survey.

Table 33

Wholesale Sales Volume and Calculated Mean, by Type of Establishment, for Selected Northern Communities

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments[2] | Mean($)[3] | Number of Establishments |
|---|---|---|---|---|---|
| Grande Prairie | 1 | 1,925,000 | 9.6 | 925,000.00 | 2 |
| | 2 | 567,000 | 2.8 | 567,000.00 | 1 |
| | 4 | 4,050,000 | 20.1 | 2,025,000.00 | 2 |
| | 6 | 100,000 | 0.5 | 100,000.00 | 1 |
| | 7 | 1,750,000 | 8.7 | 1,750,000.00 | 1 |
| | 8 | 10,250,000 | 50.9 | 2,562,500.00 | 4 |
| | 10 | 750,000 | 3.7 | 750,000.00 | 1 |
| | 15 | 750,000 | 3.7 | 750,000.00 | 1 |
| | Total | 20,142,000 | 100.0 | 1,549,384.62 | 13 |
| Peace River | 1 | 300,000 | 12.8 | 300,000.00 | 1 |
| | 4 | 1,750,000 | 74.5 | 1,750,000.00 | 1 |
| | 10 | 300,000 | 12.8 | 300,000.00 | 1 |
| | Total | 2,350,000 | 100.0 | 783,333.33 | 3 |
| St. Paul | 7 | 750,000 | 31.3 | 750,000.00 | 1 |
| | 8 | 1,650,000 | 68.8 | 550,000.00 | 3 |
| | Total | 2,400,000 | 100.0 | 600,000.00 | 4 |
| Edson | 10 | 800,000 | 100.0 | 400,000.00 | 2 |
| | Total | 800,000 | 100.0 | 400,000.00 | 2 |
| Whitecourt | 9 | 50,000 | 100.0 | 50,000.00 | 1 |
| | Total | 50,000 | 100.0 | 50,000.00 | 1 |
| Slave Lake | 1 | 132,000 | 7.0 | 132,000.00 | 1 |
| | 10 | 1,750,000 | 93.0 | 1,750,000.00 | 1 |
| | Total | 1,882,000 | 100.0 | 941,000.00 | 2 |
| Fort McMurray | 10 | 1,475,000 | 100.0 | 737,500.00 | 2 |
| | Total | 1,475,000 | 100.0 | 737,500.00 | 2 |

Continued . . .

Table 33...Continued

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establish-ments[2] | Mean($)[3] | Number of Establish-ments |
|---|---|---|---|---|---|
| Whitehorse | 1 | 1,000,000 | 10.4 | 1,000,000.00 | 1 |
| | 4 | 5,000,000 | 52.1 | 5,000,000.00 | 1 |
| | 7 | 2,000,000 | 20.8 | 2,000,000.00 | 1 |
| | 8 | 100,000 | 1.0 | 100,000.00 | 1 |
| | 9 | 750,000 | 7.8 | 750,000.00 | 1 |
| | 10 | 750,000 | 7.8 | 750,000.00 | 1 |
| | Total | 9,600,000 | 100.0 | 1,600,000.00 | 6 |
| Yellowknife | 4 | 300,000 | 7.4 | 300,000.00 | 1 |
| | 10 | 3,750,000 | 92.6 | 3,750,000.00 | 1 |
| | Total | 4,050,000 | 100.0 | 2,025,000.00 | 2 |
| Inuvik | 7 | 266,000 | 6.6 | 266,000.00 | 1 |
| | 8 | 3,750,000 | 93.4 | 3,750,000.00 | 1 |
| | Total | 4,016,000 | 100.0 | 2,008,000.00 | 2 |
| TOTAL | | 46,765,000 | 100.0 | 1,264,000.00 | 37 |

[1] Where 1 = Motor Vehicles and Automotive Equipment; 2 = Drugs, Chemicals and Allied Products; 3 = Piece Goods, Notions, Apparel; 4 = Groceries and Related Products; 5 = Farm Product - Raw Materials; 6 = Electrical Goods; 7 = Hardware, and Plumbing and Heating Equipment and Supplies; 8 = Machinery, Equipment and Supplies; 9 = Metals and Minerals, n.e.c.; 10 = Petroleum and Petroleum Products; 11 = Scrap and Waste Materials; 12 = Tobacco and Its Products; 13 = Beer, Wine and Distilled Alcoholic Beverages; 14 = Paper and Its Products; 15 = Furniture and Home Furnishings; 16 = Lumber and Construction Materials; and 17 = Miscellaneous Wholesalers, n.e.c.

[2] Reporting sales volume.

[3] Adjusted to exclude non-responses.

Source: Questionnaire Survey.

Table 34

Employment Size by Volume of Northern Wholesale Sales

| Employment | Per Cent of Sales ($) | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 100,000 | 100,000-499,000 | 500,000-999,999 | 1,000,000-2,499,999 | 2,500,000-4,999,999 | 5,000,000 Or more |
| 1-4 | 12.5 | 50.0 | 18.8 | 12.5 | 6.3 | - |
| 5-9 | - | 22.2 | 33.3 | 44.4 | - | - |
| 10-19 | - | 9.1 | 45.5 | - | 27.3 | 18.2 |
| 20-39 | - | - | - | 100.0 | - | - |
| 40-79 | - | - | - | - | - | - |
| 80 or more | - | - | - | - | - | - |

Source: Questionnaire Survey.

Edmonton wholesaling structure. As in the Edmonton wholesale trade survey, the relatively low correlation indicates a definite but small relationship between employment size and corresponding volume of sales. In other words, within the wholesaling structure of northern Alberta, the Yukon and the Northwest Territories, there exists a positive correlation between employment and sales; that is, as one variable increases so does the other; but the magnitude of this relationship is relatively small. Again, observations in the field tend to substantiate this hypothesized correlation. Notwithstanding the fact that many establishments of considerable size (with 20 or more employees) manifested correspondingly large sales volume, it was also possible to find small wholesaling operations exhibiting relatively large volumes of sales.

Organization

The wholesaling structure of the North is composed of both single-unit independent firms and multi-unit wholesaling systems, both horizontally and vertically integrated. As previously defined, vertically integrated firms refer to those establishments which are connected to manufacturers or retailers in the marketing structure. The horizontally integrated firms are usually a part of a wholesale chain organization which may or may not bear the same name as the branch establishment. The branch-house wholesaler may not even conduct the same kind of wholesale business as the main establishment.

Of the 43 northern wholesaling establishments which responded to this part of the survey, 23 firms or 53.5 per cent of the respondents indicated some form of integration with the manufacturer or retailer of their product line. Although approximately the same proportion of wholesalers in the North indicated some form of vertical integration, the variety of organizational forms manifested was not as great as in the Edmonton wholesale trade survey. Whereas almost all types of industrial integration were found in the Edmonton wholesaling structure, only three principal types of integration were reported by the northern wholesalers: direct ownership (affiliate), cooperative, and exclusive dealer franchise. By far the largest proportion of wholesaling establishments, 51.2 per cent, indicated an exclusive dealer franchise arrangement with the manufacturer (Table 35). A further 30.2 per cent indicated direct ownership by the associated enterprise. Other unspecified combinations accounted for 14.0 per cent, and the remaining 4.6 per cent reported that they were members of a cooperative organization.

The geographical distribution of manufacturers and retailers

Table 35
Forms of Vertical Integration Among Northern Wholesalers

| Form of Integration | Per Cent of Total Establishments |
|---|---|
| Affiliate (direct ownership) | 30.2 |
| Cooperative | 4.6 |
| Exclusive dealer franchise | 51.2 |
| Other combination | 14.0 |
| | 100.0 |

Source: Questionnaire Survey.

vertically integrated to the northern wholesaling structure shows some marked differences to the spatial patterns observed for the Edmonton wholesaling structure. Of the 19 firms reporting locations of their parent companies, 47.4 per cent identified connections with Alberta-based firms; 26.3 per cent reported integration with a manufacturer or retailer in Ontario; 10.5 per cent indicated some form of affiliation with firms located in the United States; and the remaining 15.8 per cent was equally divided among British Columbia, Saskatchewan and Manitoba. Note that whereas the greatest proportion of Edmonton wholesaling firms reported some form of integration with manufacturers or retailer located in Ontario, a near majority of northern wholesaling establishments identified organizational linkages with Alberta-based companies, located primarily in Edmonton and Calgary.

Like the vertical integration observed in the Edmonton wholesaling market, the observed trend towards increased direct trading

between manufacturers and retailers in the northern wholesaling structure is not a recent phenomenon. For the 23 firms reporting some form of vertical integration, 87.0 per cent indicated that they have always been connected in this way. However, as was the case in Edmonton, for the remaining 13.0 per cent this form of industrial linkage is a new phenomenon, as all have become connected with a manufacturer or retailer in the last five years.

Results of the survey would seem to indicate that the wholesaling structure of the North is pretty well evenly divided among single-unit independent firms and multi-unit organizations. Just under half, 48.8 per cent, indicated that the establishment surveyed was the head office of the firm. The head offices of the remaining 22 firms are geographically dispersed over four provinces, Alberta (63.6%), British Columbia (13.6%), Ontario (13.6%). and Manitoba (9.1%). As these results indicated, the majority of branch outlets in these northern communities are connected to firms located in Alberta; for the most part, in Edmonton and Calgary. Other head office locations were traced to the principal metropolitan areas in each of the three remaining provinces: Vancouver, Winnipeg and the Toronto-Hamilton region.

## Functions and Processes

As previously discussed, it is possible to identify three broad categories of wholesale functions: (1) exchange and contact (merchandising and buying and selling); (2) physical distribution (transportation and storage); and (3) facilitating or auxiliary functions (standardization and grading, financing, communication and research, and risk bearing).

For those firms responding to this aspect of the survey, most tended to identify five key functions which they provided as wholesale establishments. By far the greatest proportion, 81.4 per cent, indicated that their primary function was to assemble goods, usually in large lots, sort, grade and repack merchandise, and finally redistribute. The second and third functions reported by most firms relate to the storage aspect of the wholesaling function; that is, the maintenance of complete inventories of most items handled, and warehouse storage and physical distribution facilities. Most northern wholesaling establishments surveyed also provide delivery services. The fifth wholesaling function identified by most northern wholesalers relates to the specialized services they provide their customers, in terms of installing, servicing and repairing the merchandise sold.

The emphasis of northern wholesalers appears to be on the functions of physical distribution and facilitating functions relating to the specialized service that the industry provides. Additional functions of physical distribution identified in the questionnaire survey were various aspects of traffic management, including the routing of shipments, establishing shipment schedules, timing dispatches and returns, and perhaps most importantly, securing and making the best use of available transportation facilities. Among the auxiliary functions mentioned in the survey of northern wholesalers, were the provision of a number of promotional aids and kindred services. Many northern wholesaling establishments, for example, provide technical advice and assistance relating to new product information, inventory control, sales planning and the like. Other related facilitating wholesaling functions include the rendering of financial assistance through credit extension

and receivables collection, production distribution and promotional strategy development for the manufacturer, supervision of pricing and product distribution to dealers, and the arrangement of periodic "clinic" sessions with dealers. Another aspect of the wholesaling function which manifests itself among a number of northern establishments is the leasing or renting of equipment, rather than outright sale to customers.

In comparison to the diversity of wholesale functions provided by the many specialized Edmonton wholesalers, the provision of wholesaling services in the North appears to be somewhat more limited. Although it is possible to identify most aspects of the wholesaling function among northern wholesale establishments, the range of wholesale services, particularly those specialized services provided mainly by agents or brokers, including market research, and the negotiation of purchases and sales for others, is not as great. On the whole, the northern wholesaling structure is characterized by the basic functions of product assemblage, storage and physical distribution, supplemented by a limited range of auxiliary functions, including the installation, service and repair of merchandise sold.

## Site Characteristics

Because of the specialized functional and operational requirements of northern wholesalers, related to the assemblage, storage and physical distribution of their goods and services, nearly all northern wholesaling establishments are situated in a combination office-warehouse structure. Of the 43 firms surveyed, 93.0 per cent occupied such structures. Two firms operated warehouses only, and there was only one wholesaler in the survey which operated from an office not connected

with storage facilities. The structures themselves are generally one or two stories high with the majority (83.7%) occupying only one-storied structures. Sixty-five per cent of the structures had loading dock facilities, and 25.6 per cent were connected to a rail spur line. Approximately 40 per cent maintained some sort of showroom facilities for the display of their product line. The age of the buildings occupied by northern wholesalers ranged from brand new structures to structures over 40 years old. Approximately 80 per cent of the buildings were less than 20 years old, and about a third of them were under 5 years old.

Because all northern wholesaling establishments surveyed physically handle the merchandise they sell, transportation facilities and warehouse and storage facilities rank high in terms of locational proximity (Tables 36 and 37). For most northern wholesalers (75.6 per cent) proximity to transportation services is a "very important" locational consideration. The importance of communication and control of northern distributive services is also reflected in the importance of proximity to telephone and communication company offices. The functional requirements of most northern wholesaling establishments, requiring them to maintain large inventories of most merhcandise handled, results in most firms expressing a desire to locate near additional warehouse and storage facilities. The importance of the auxiliary functions relating to credit extension, is also partially reflected in the locational considerations given to proximity to banks and other financial institutions. As Table 37 illustrates, the mean ratings of proximity are "Important" for all three locational considerations.

Table 36

Percentage Distribution of Proximity Ratings,
by Type of Supporting Business,
Northern Alberta, the Yukon and the Northwest Territories

| Type of Business | Per Cent of Rating | | | |
|---|---|---|---|---|
| | Very Important | Important | Not Important | Not Used |
| Transport facilities | 75.6 | 14.6 | 2.4 | - |
| Warehouse and storage facilities | 43.9 | 14.6 | 14.6 | 9.8 |
| Banks and other financial institutions | 29.3 | 34.1 | 14.6 | - |
| Telephone and communication company offices | 43.9 | 31.7 | 14.6 | - |
| Other wholesalers, brokers and agents | 4.9 | 41.5 | 31.7 | 9.8 |
| Other businesses | 2.4 | - | - | - |

Source: Questionnaire Survey.

Table 37

The Importance of Proximity to Supporting Businesses
for Northern Wholesalers

| Rank | Type of Business | Mean | Rating[1] |
|---|---|---|---|
| 1 | Transport facilities | 1.4 | Very Important |
| 2 | Telephone and communication company offices | 1.9 | Important |
| 3 | Warehouse and storage facilities | 2.2 | Important |
| 4 | Banks and other financial institutions | 2.3 | Important |
| 5 | Other wholesalers, brokers and agents | 2.7 | Not Important |
| 6 | Other businesses | 3.9 | Not Used |

[1] Where 1.0 - 1.4 = Very Important; 1.5 - 2.4 = Important;
2.5 - 3.4 = Not Important; and 3.5 - 4.0 = Not Used.

Source: Questionnaire Survey; after Goss (1973).

Summary and Conclusions

Analysis of the northern wholesaling structure, as represented in the sample survey of wholesale establishments in the selected northern communities, reveals a complex system of functionally diverse distributive industries. The complexities of the northern channels of distribution give rise to highly varied types of wholesale establishments and kinds of middlemen operations. Within each of the industrial categories, there are firms manifesting various ranges of wholesaling functions, of product assortments and of organizational control patterns. In the same way, there is great diversity exhibited in terms of employment size and volume of sales.

Among northern wholesaling establishments, five categories of wholesale enterprises stand out in terms of all three size indices; number of establishments, employment, and sales volume. By far the most important in terms of all three criteria is the Machinery, Equipment and Supplies sector, which includes all commercial, construction, mining, farm, and industrial machinery, equipment and supplies. Next in importance was the Groceries and Related Products and Petroleum and Petroleum Products sectors, which ranked very closely with the previous industrial class in terms of all three size indices. The fourth and fifth sectors which stood out in the northern wholesaling structure were the Hardware, and Plumbing and Heating Equipment and Supplies sector and the Motor Vehicles and Automotive Equipment sector. These two industrial categories were remarkably similar in terms of their relative importance to the northern wholesaling structure.

A chi square analysis of the cross tabulation of employment and sales volume indicated the possibility of a relationship between the

two variables. Using a Pearson product-moment correlation coefficient to measure the degree of association between employment and sales volume, it was possible to conclude that a definite, but low positive correlation existed between the variables, indicating the likelihood of finding small wholesale operations within the structure manifesting relatively large sales volumes.

Like the Edmonton wholesaling structure, the structure of northern wholesaling is characterized by a number of multi-unit vertically and horizontally integrated enterprises. Survey results indicate that most northern wholesaling establishments are connected with Alberta-based parent companies and related head offices.

Analysis of the functions and processes of northern wholesaling establishments indicates that like the Edmonton wholesaling structure, the structure of northern wholesaling tends to conform well with traditional classifications of wholesale functions. The range of specialized services is somewhat limited, but on the whole, examples of nearly all wholesale functions are to be found in the northern wholesaling structure.

Locational considerations revealed in this study point to the overwhelming importance of adequate transportation facilities to northern wholesale establishments. Other equally important considerations of communication and control, credit availability and the provision of adequate warehouse and storage facilities are suggested in the analysis of infrastructural requirements contained in the survey.

The structure of northern wholesaling has been discussed in this section in terms of its composition, size and organizational characteristics. It has been characterized as a complex system of distributive industries representing a wide variety of sizes, affilia-

tions, organizational control patterns and industrial specialization. It is the purpose of the remaining sections of this study to deal specifically with the nature of these northern wholesale markets, with the linkages to and from these markets, and with the role of the wholesaling sector in the regional economic development of the northern regions.

# CHAPTER IV

# WHOLESALE MARKET SURVEY AND LINKAGE ANALYSIS

## Introduction

To understand something of the importance attached to wholesaling in marketing, it is necessary to outline the general strategy of wholesaling and wholesale markets. According to Revzan (1961, pp. 10-11), the general strategic aspects of wholesaling in marketing stem from a number of diverse forces. Briefly, these strategic conditions include (1) the development of diversified mass production in industry located some distance from the areas of principal use of the output thus produced; (2) an increase in the volume of production prior to specified demand by the users; (3) increases in the number of levels of intermediate and final users (such as quantities, shapes, packages, assortments and pricing); (5) increases in the quantities and varieties of goods and services; and (6) the necessity of establishing primary and intermediate markets in which wholesale exchange and the establishment of wholesale price levels can take place (Revzan, 1961, pp. 10-11).

Wholesale marketing thus evolved in order to bridge the gap between the various levels of producers at one end, and the various types of users at the other. Given the forces outlined above, wholesaling developed in the regional marketing structure as a result of attempts by producers and other business firms to solve the marketing problems created by this gap (Revzan, 1961, p. 11). The bridging of the gap between producer and user may be thought of as a series of complex linkages. Within the linkage system there exists mechanisms which regulate the physical flows of goods and services, both with

respect to quantities and qualities, in terms of spatial allocations, locating potential users, or intermediate users in the form of middlemen, and convincing them to buy; of establishing prices at which the exchanges may take place; and of feeding back information to guide the market planning efforts of the various producing agencies. These diverse marketing functions are performed within the linkage system of the wholesale marketing structure.

Since wholesaling is but one aspect of a region's marketing organization, it would be wise at this point to discuss the general meaning of marketing organization. The concept as it is used throughout this study is not concerned with the internal aspects of particular firms within the marketing structure, but rather with the way in which individual firms and establishments array themselves in a *"formal systematic manner within various producing, buying, selling, and facilitating agencies in making possible the systematic, continuous movement of goods and services from producing to using units"* (Revzan, 1961, p. 17). In other words, the marketing organization of a region refers to the way in which individual businesses are arranged in order to make possible the systematic and continuous movement of goods and services from areas of production to areas of consumption. Implicit in this definition of marketing organization is the assumption that the arrangement thus defined will facilitate the necessary determination of prices and terms of sale for exchange within the primary and intermediate markets within this organization.

The strategic position of wholesaling within the marketing organization stems from the fact that the marketing organization is made effective through its channels of distribution (Revzan, 1961). Because

the flow of goods and services through the marketing organization does not occur automatically, the system has developed a complicated network of intermediary agencies which are grouped together in such a way as to link particular producing units to particular using units. In addition, these functional middlemen combine in varying patterns of complexity to account for the overall movement of particular commodity groups within and between regions. The wholesale marketing structure thus becomes the linking vehicle by means of which the marketing organization takes place and becomes effective (Revzan, 1961). As the social and economic development of a region increases in complexity, so do the channel aspects of its marketing organization develop into more intricate functional, commodity, spatial and organizational control patterns.

Viewed in this way, the strategic position of the wholesaling aspect of the channels of distribution is again reaffirmed. As previously pointed out, most literature on the subject considers it the most important sector of the marketing organization (Revzan, 1961). It is that part of the marketing organization which by its nature gives more depth, variety and complexity than any other sector. According to Revzan (1961, p. 19), every technological development in production which results in changes in the quantity or quality of the goods and services available in the market place is eventually reflected in or magnified through the wholesaling sector. These backward and forward technological "wave effects" have important implications for regional industrial development which will be discussed later in the study. The point to be made at this time is that the wholesaling sector provides a "funnel" through which these wavelike movements can be channelled, which in turn tend to widen the interrelationship between the marketing

organization and the rest of the region's business economy.

Before proceeding with a detailed analysis of the place of wholesaling in the marketing organization of northern Alberta, the Yukon and the Northwest Territories, it is necessary to define what is meant by the term 'linkage' in the framework of wholesale marketing. For the purposes of this report, a wholesale linkage will refer to the formal and informal wholesale trade connections between the various middlemen themselves, and between the middlemen and other business enterprises. These linkages may include the negotiating transactions involved in the purchases and sales of goods and services, the communication networks utilized for other than negotiation purposes, or the whole variety of facilitating agencies and their functions which make possible the movement of goods and services through the marketing system (Revzan, 1961). According to Revzan (1961, p. 19), these linkages provide the "structural mucilage" which make possible the intricate patterns of channels of distribution, and ultimately, the marketing organization itself.

On the basis of this definition of wholesale linkages, it is possible to differentiate five basic types of linkages as they relate to the wholesaling sector (Revzan, 1961, pp. 19-20). First there are the "direct linkages" which involve only two establishments and two levels within the marketing organization, that is, the producing and the using units. Second, there are the "semidirect and indirect linkages" which involve the insertion of one or more links of types of wholesale middlemen. "Competitive linkages" are the third type of wholesale linkage identified by Revzan (1961) and include alternative sets of linkages through which producers may market their output or through which various levels of users may purchase their supplies. The fourth type of linkage

refers to those establishments which may furnish one or more of the following specialized services—communication, research, risk bearing, transportation or other related types of facilitating functions—and has been termed "facilitating linkages". The fifth type of linkage, "control linkages", is more difficult to define and relates to the types and levels of institutions which have dominant positions in the marketing organization, so far as decision-making matters are concerned.

## Edmonton Wholesale Trade Survey

Situated at the entrance to a vast northern hinterland, the City of Edmonton has become characterized as the "Gateway to the North". It has become a city with an important involvement in economic functions associated with distance, such as transportation and wholesale trade (Laatsch and Gill, 1971). The principal characteristics of the Edmonton wholesaling structure have been dealt with in the previous section of this study. The purpose of this section is to undertake a detailed analysis of the Edmonton wholesaling linkages to markets in northern Alberta, the Yukon and the Northwest Territories. In other words, an attempt will be made here to investigate the validity of the gateway concept in terms of the relative importance of northern wholesaling to the total Edmonton wholesale market.

Based on a 10 per cent sample of Edmonton wholesaling establishments, this survey is able to report that northern wholesaling markets account for 14.9 per cent of the total value of Edmonton wholesale sales. The value of sales used to arrive at this proportion includes, in addition to the study area, the wholesale sales to northern British Columbia, northern Saskatchewan and northern Manitoba. Excluding sales

to these three regions, it was found that the sample survey reported northern sales amounting to approximately $49 million, or 13.3 per cent of the total value of Edmonton wholesale sales in 1973. When questioned as to the percentage of total sales accounted for by their local Edmonton markets (including St. Albert and Sherwood Park), 50 per cent of the sample reported doing less than 50 per cent of their business in and around the City of Edmonton. In fact, only eight firms (6.5 per cent) reported doing all of their business in the City.

At first glance, these proportions as indices of the relative importance of the North as a customer for Edmonton wholesalers are perhaps misleading, in that they suggest that only a small percentage (approximately 15 per cent) of Edmonton wholesale sales are north-directed. The problem here is primarily one of interpretation, relating to the focus of these measures of importance. What these percentages are really saying is that it is possible for the Edmonton wholesaling structure to survive regardless of the demand for their services from northern customers. However, this obviously is not the purpose of this survey. The fact that the Edmonton wholesale industry functions independently of its northern linkage is to be expected considering its overall market dimensions in comparison to the size of the market, both existing and potential, in northern Alberta, the Yukon and the Northwest Territories. The point is, can the northern markets for wholesale goods operate efficiently without Edmonton as a source of supply? If considerations are being given to the role of wholesaling in the regional economic development of the North, then it is the economic significance of the demand by northern wholesalers and user industries for Edmonton wholesale goods, in relation to the size of the northern markets, that

is the important focus of this analysis. Nevertheless, before proceeding with an analysis of the northern wholesaling structure from the demand point of view, it is necessary to understand the nature and dimensions of the wholesale markets and their connecting linkages from the standpoint of the Edmonton wholesaling structure.

Nature of the Edmonton Wholesale Market

Table 38 contains the percentage distribution of Edmonton wholesaling establishments with links to northern communities. The northern settlements appearing in this table are those communities specifically identified by Edmonton wholesalers in the questionnaire survey. Examination of the results for the ten study settlements shows that Grande Prairie and Peace River are linked to the largest number of Edmonton wholesaling establishments. However, as Table 38 illustrates, over 25 per cent of the sample survey of Edmonton wholesalers do some business in seven of the ten selected study communities. Only Whitehorse and Inuvik are linked with less than one-quarter of the sample of Edmonton wholesaling establishments.

It has been shown that the northern markets for Edmonton wholesale goods accounted for less than 15 per cent of the total value of Edmonton wholesale sales in 1973. However, when viewed in terms of the relative number of Edmonton wholesale firms actually doing some business in these northern communities, the importance of this market becomes more apparent. For example, 62 establishments or 44.6 per cent of the sample survey did some business with Grande Prairie in 1974-75. Other centres with strong wholesale linkages to Edmonton include Peace River, Edson and Whitecourt, showing connections with 36.7 per cent, 35.3 per

Table 38

Distribution of Northern Business of Edmonton Wholesalers

| Location | Number of Edmonton Wholesalers | Per Cent of Total Edmonton Establishments |
|---|---|---|
| Grande Prairie | 62 | 44.6 |
| Peace River | 51 | 36.7 |
| St. Paul | 38 | 27.3 |
| Edson | 49 | 35.3 |
| Slave Lake | 35 | 25.2 |
| Whitecourt | 41 | 29.5 |
| Whitehorse | 32 | 23.0 |
| Yellowknife | 35 | 25.2 |
| Inuvik | 23 | 16.6 |
| Jasper - Hinton | 6 | 4.3 |
| Drayton Valley | 1 | 0.7 |
| Elk Point | 1 | 0.7 |
| Cold Lake | 1 | 0.7 |
| Fort McMurray | 5 | 3.6 |
| High Level | 1 | 0.7 |
| Fort Smith | 1 | 0.7 |
| Dawson Creek | - | - |
| Fort St. John | 1 | 0.7 |
| Fort Nelson | - | - |
| Uranium City | 2 | 1.4 |
| Pine Point | - | - |
| Hay River | 2 | 1.4 |
| Resolute Bay | - | - |
| Watson Lake | - | - |

Source: Questionnaire Survey.

cent and 29.5 per cent, respectively, of the number of Edmonton wholesaling establishments in the sample survey.

Results of this survey indicate that the majority of Edmonton wholesaling firms do between 1 and 5 per cent of their total business volume in one or more northern communities (Table 39). Table 39 shows that most firms do no more than 10 per cent of their total sales volume in any one community. The questionnaire survey results further indicate that no Edmonton wholesaling establishment does more than one-quarter of

Table 39

Percentage of Edmonton Wholesale Trade, by Value, with Northern Communities

| Location | Percentage in each Category | | | | |
|---|---|---|---|---|---|
| | 1-5% | 6-10% | 11-15% | 16-20% | 21-25% |
| Grande Prairie | 34.5 | 7.2 | - | 2.2 | 0.7 |
| Peace River | 31.7 | 4.3 | 0.7 | - | - |
| St. Paul | 23.7 | 2.9 | - | - | 0.7 |
| Edson | 29.5 | 5.0 | 0.7 | - | - |
| Slave Lake | 22.3 | 2.9 | - | - | - |
| Whitecourt | 25.9 | 2.2 | - | 0.7 | 0.7 |
| Whitehorse, Yukon | 21.6 | 1.4 | - | - | - |
| Yellowknife, N.W.T. | 20.1 | 2.9 | 1.4 | 0.7 | - |
| Inuvik, N.W.T. | 12.9 | 2.9 | - | 0.7 | - |
| Jasper-Hinton | 2.2 | 0.7 | 0.7 | 0.7 | - |
| Drayton Valley | - | 0.7 | - | - | - |
| Elk Point | 0.7 | - | - | - | - |
| Cold Lake | 0.7 | - | - | - | - |
| Fort McMurray | 2.9 | 0.7 | - | - | - |
| High Level | 0.7 | - | - | - | - |
| Fort Smith, N.W.T. | 0.7 | - | - | - | - |
| Dawson Creek | - | - | - | - | - |
| Fort St. John | 0.7 | - | - | - | - |
| Fort Nelson | - | - | - | - | - |
| Uranium City | 1.4 | - | - | - | - |
| Pine Point | - | - | - | - | - |
| Hay River | 0.7 | 0.7 | - | - | - |
| Resolute Bay | - | - | - | - | - |
| Watson Lake | - | - | - | - | - |

Source: Questionnaire Survey.

his total sales volume in any local northern market.

Despite the large number of firms doing business in the North, the relative size of each individual market and the ease with which goods can be transferred in and out of regional markets, results in the fact that few of the firms surveyed actually operate branch outlets in any of the study settlements. For the 134 wholesaling establishments responding to this question in the survey, 91.0 per cent indicated that they did

not maintain any branch outlets in the nine study communities identified in the questionnaire. However, as Table 40 illustrates, approximately 15 per cent of the sample survey do have outlets in the North, most concentrated in the Grande Prairie-Peace River area.

Table 40

Edmonton Wholesalers with Branch Outlets in Northern Communities

| Location | Number of Edmonton Branches |
|---|---|
| Grande Prairie | 4 |
| Edson | 1 |
| Whitehorse | 1 |
| Yellowknife | 1 |
| Inuvik | 1 |
| Jasper | 1 |
| Fort McMurray | 1 |
| Fairview | 1 |
| Dawson Creek | 2 |
| Fort St. John | 1 |
| Lloydminster | 1 |
| Prince Albert | 2 |
| Hay River | 1 |
| Anchorage, Alaska | 1 |
| TOTAL | 19 |

Source: Questionnaire Survey.

Tables 41 and 42 are designed to show the percentage distribution of wholesale sales by Edmonton firms to the various economic sectors both in terms of their total market, and with the northern component isolated for the purposes of this analysis. For the Edmonton wholesale market as a whole, most firms sell the bulk of their output to three sectors: the retail sector, the mineral resource extraction sector

Table 41

Percentage of Total Sales by Edmonton Wholesalers, by Economic Sectors

| Economic Sector | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Mineral Resource Extraction | 12.2 | 8.6 | 1.4 | 0.7 | 1.4 | - | - | - | - | 4.3 | - | 1.4 | - | 0.7 | - | 1.4 | - | - | 0.7 | 5.0 |
| Manufacturing | 16.5 | 10.1 | 3.6 | 2.2 | 2.2 | 2.9 | 0.7 | 0.7 | - | 0.7 | 0.7 | 1.4 | 0.7 | - | - | 0.7 | - | 0.7 | 1.4 | 0.7 |
| Retail | 9.4 | 5.0 | 3.6 | 0.7 | 2.2 | 2.9 | 1.4 | 2.9 | - | 1.4 | - | 2.9 | 0.7 | - | 2.9 | 2.9 | 0.7 | 3.6 | 2.9 | 10.8 |
| Other Wholesale | 12.9 | 7.9 | 2.2 | 1.4 | 2.2 | 3.6 | 1.4 | 0.7 | - | 0.7 | 0.7 | - | - | 0.7 | 0.7 | 0.7 | 0.7 | - | 1.4 | 2.2 |
| Other Businesses | 10.1 | 2.2 | 5.0 | 2.9 | 1.4 | 2.9 | 1.4 | - | 1.4 | 3.6 | - | 1.4 | 1.4 | 2.2 | 2.9 | - | 0.7 | - | 1.4 | 2.9 |
| Government | 25.2 | 7.2 | 5.0 | 2.9 | 2.2 | - | - | - | - | 3.6 | - | - | - | - | - | - | - | - | 0.7 | - |
| Households | 4.3 | 1.4 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.7 |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 45-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

Table 42

Percentage of Sales by Edmonton Wholesalers to the North, by Economic Sectors

| Economic Sector | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Mineral Resource Extraction | 7.9 | 2.9 | 0.7 | 1.4 | - | 1.4 | - | 1.4 | - | 3.6 | - | 0.7 | - | - | - | 1.4 | 0.7 | 2.2 | 0.7 | 6.5 |
| Manufacturing | 7.2 | 2.2 | 2.9 | 1.4 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1.4 |
| Retail | 5.8 | 0.7 | 0.7 | - | 1.4 | 0.7 | 0.7 | 1.4 | - | 1.4 | - | 0.7 | - | 1.4 | - | 2.2 | - | 1.4 | 0.7 | 11.5 |
| Other Wholesale | 5.8 | 2.2 | 0.7 | 1.4 | 0.7 | 1.4 | 1.4 | 0.7 | - | - | 0.7 | - | - | - | - | - | - | 0.7 | - | 4.3 |
| Other Businesses | 2.2 | 4.3 | 2.2 | 2.9 | 2.9 | 1.4 | 0.7 | - | 0.7 | 2.9 | - | - | - | 0.7 | 0.7 | 1.4 | - | 0.7 | 0.7 | 5.8 |
| Government | 10.1 | 3.6 | 1.4 | 1.4 | 1.4 | - | 0.7 | - | - | 2.9 | - | 0.7 | - | - | 0.7 | - | - | - | - | - |
| Households | 2.9 | 0.7 | 0.7 | - | - | - | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | 0.7 |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 =51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

and the broad category of other businesses. Although the results of the survey allowed for only a very rough approximation of the percentage distributions to each of these economic sectors, it is possible to suggest possible marketing characteristics for each of these diverse industrial classes. Seventy-five per cent of the sample survey reported doing less than 50 per cent of their business with the mineral resource extraction sector, which includes forestry, fishing, mining, and petroleum and natural gas exploration and extraction. The mean response to this sector was somewhere between 30 and 35 per cent. The manufacturing sector accounted for approximately 20 to 25 per cent of the sales of their business with this sector. In fact, 35.9 per cent of the respondents reported doing less than 5 per cent of their business with the manufacturing sector. By far, the greatest proportion of Edmonton wholesale sales were directed towards the retail sector of the economy. Forty-eight per cent of the sample survey reported doing more than half their business with this sector, and only 16.5 per cent report doing less than 5 per cent. Other wholesalers, on the average, accounted for approximately 25 to 30 per cent of the sales by most Edmonton wholesaling establishments. The second largest proportion of the Edmonton wholesaling market was accounted for by sales to the rather broad, and perhaps vaguely defined economic sector, the "other business" category of firms. This sector averaged 35 and 40 per cent of the Edmonton wholesale sales. The remaining two sectors identified for the purposes of this survey were the government and household sectors of the economy, which on the average accounted for between 10 and 15 per cent of an establishment's wholesale sales.

The distribution of wholesale linkages to northern economic sectors varied slightly with respect to the pattern observed for the entire Edmonton wholesale market. Isolating those sales directed to economic sectors located in the northern study area resulted in the following percentage distributions of wholesale sales. Again, the retail sector accounted for approximately 50 per cent of the northern wholesale sales. Almost 60 per cent of the respondents indicated that more than 50 per cent of their northern wholesale sales were to northern retail outlets for their particular product line. In fact, 37.2 per cent of the respondents reported doing almost all their business with this sector. A change in the observed allocation of sales to economic sectors for the entire market was observed with regard to the northern mineral resource extraction sector. Considering the importance of this sector to the regional economy of the North, it is not surprising to observe that nearly 18 per cent of the northern sales of the sample survey were directed towards this all important economic sector. Forty per cent of the sample indicated doing more than 50 per cent of their business with this sector, and only 25 per cent reported doing less than 5 per cent. In fact, one-fifth of the sample indicated doing between 96 and 100 per cent of their business with the mineral resource extraction sector. Wholesalers and other businesses tended to account for approximately 14 and 11 per cent of the northern sales, respectively, with the household sector accounting for less than one-half of one per cent of the wholesale sales to northern markets.

Table 43 shows the ranked average percentages of wholesale sales by Edmonton establishments to each of the economic sectors. As Table 43 illustrates, the percentage of sales to each sector varies

Table 43

Ranked Average Percentage of Northern Wholesale Sales to Economic Sectors, by Type of Wholesale Establishment

| Economic Sector | Rank[1] | S.I.C.[2] | Average Per Cent |
|---|---|---|---|
| Mineral Resource Extraction | 1 | 2 | 96.7 |
| | 2 | 16 | 70.0 |
| | 3 | 1 | 54.2 |
| Manufacturing | 1 | 16 | 100.0 |
| | 2 | 14 | 20.0 |
| | 3 | 8 | 18.5 |
| Retail | 1 | 4 | 100.0 |
| | 2 | 10 | 100.0 |
| | 3 | 3 | 92.5 |
| Other Wholesale | 1 | 17 | 100.0 |
| | 2 | 1 | 66.6 |
| | 3 | 2 | 35.0 |
| Other Businesses | 1 | 4 | 73.5 |
| | 2 | 16 | 60.0 |
| | 3 | 3 | 57.5 |
| Government | 1 | 9 | 50.0 |
| | 2 | 6 | 35.0 |
| | 3 | 15 | 30.5 |
| Households | 1 | 16 | 100.0 |
| | 2 | 4 | 50.0 |
| | 3 | 7 | 10.0 |

[1] Only first three ranking positions are shown.

[2] Where 1 = Motor Vehicles and Automotive Equipment; 2 = Drugs, Chemicals and Allied Products; 3 = Piece Goods, Notions, Apparel; 4 = Groceries and Related Products; 5 = Farm Product - Raw Materials; 6 = Electrical Goods; 7 = Hardware, and Plumbing and Heating Equipment and Supplies; 8 = Machinery, Equipment and Supplies; 9 = Metals and Minerals, n.e.c., 10 = Petroleum and Petroleum Products; 11 = Scrap and Waste Materials; 12 = Tobacco and Its Products; 13 = Beer, Wine and Distilled Alcoholic Beverages; 14 = Paper and Its Products; 15 = Furniture and Home Furnishings; 16 = Lumber and Construction Materials; and 17 = Miscellaneous Wholesalers, n.e.c.

Source: Questonnaire Survey.

greatly by type of wholesale establishment. Because of the large number of types of wholesalers with linkages to the North, only the first three ranking positions are shown in Table 43.

Edmonton wholesalers obviously have a wide range of customers —not just retailers, as is commonly assumed. As the preceding discussion has pointed out, Edmonton wholesalers have direct linkages with mineral resource extraction industries, manufacturers, other wholesalers, other businesses, government and households. Although the results of this survey did not indicate the exact proportions of sales to each of these sectors by Edmonton wholesalers for the entire wholesale market, it was possible to approximate this distribution for northern wholesale sales. With certain adjustments for non-response in the questionnaire, Edmonton wholesale establishments had their sales distributed as follows in 1973: 50.1 per cent to retailing, 17.7 per cent to mineral resource extraction industries; 13.5 per cent to other wholesaling, 11.0 per cent to other businesses, 4.3 per cent to government, 2.8 per cent to manufacturing, and 0.5 per cent to households.

The importance of sales to the mineral resource extraction industries and other wholesalers in the North, reflects the importance of these economic activities in the northern economy. Regional economic development in the North is linked primarily to mineral and forest resource exploitation, even though agriculture is important in some areas of northern Alberta. As a result, these primary industries create the bulk of the demand for Edmonton wholesale goods. In other words, the wholesale structure of the region reflects its primary and secondary industrial structure.

Although the Edmonton wholesale industry serves a wide variety

of customers, many wholesaling establishments sell to only one type of customer. However, the degree of specialization by type of customer is relatively low in the Edmonton wholesaling structure. In fact, only for portions of the sales to northern wholesale markets are there noticeably large percentages of firms serving only one type of customer. Customer specialization appears to some degree among the three most important northern economic sectors: mineral resource extraction, retailing and other wholesaling. For the sample survey serving retail customers in the North, 37.2 per cent did between 96 and 100 per cent of their business with this sector. For those Edmonton firms serving the mineral resource extraction industry and other wholesalers, there were 20.5 and 21.4 per cent of the sample survey, respectively, which dealt exclusively with each of these two sectors.

Results of the survey also show that different types of Edmonton wholesale middlemen specialize in different types of customers. Agents and brokers, for example, tend to sell primarily to manufacturers and other wholesalers, as do manufacturers' branch offices and sales outlets. Merchant wholesalers on the other hand deal almost exclusively with retailers. Specialized merchant wholesalers may also sell to manufacturers. The large general-line Edmonton wholesale merchants, however, sell almost always to retailing establishments distributing their product line. On the other hand, smaller general-line firms, usually merchant wholesalers, tend to specialize in the greatest variety of customers, including retailers, manufacturers and mineral resource extraction industries. [1]

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[1] This pattern of customer specialization by kinds of whole-

Marketing Methods Used by Edmonton Wholesalers

Analysis of the marketing methods used by the survey sample of Edmonton wholesalers, shows that more Edmonton wholesale goods are sold by travelling salesmen than by any other marketing method. On the average, over 50 per cent of all sales are made by this sales method. Marketing through salesmen at the customer's establishment is expensive compared with the cost of mail-order catalogues or telecommunications, such as telephone, telegraph or telex. However, as many Edmonton wholesalers were quick to point out, using salesmen is also more successful.

The extra costs of employing salesmen tend to restrict this type of sales method to the larger merchant wholesalers. Costs also tend to keep wholesaling operations located near their customers in order to reduce the amount of time salesmen spend travelling between customers. Although it is impossible to determine from the mail questionnaire, it is likely that the majority of sales by salesmen are made in the local Edmonton wholesale market. Remarks by user industries in the North, tend to substantiate this hypothesis, in that it has been observed by most northern customers that fewer and fewer salesmen from Edmonton are canvassing their market on any regular basis. Although not specifically measured in this survey, field observations would tend to indicate that trade area boundaries between wholesalers in different cities tend to be sharp, related primarily to the cost of servicing a limited number of customers in the trade area, including the costs of

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sale middlemen is almost identical to the one observed by Goss (1973, p. 46) in his study of New England hardware wholesalers. Except for the lack of a mineral resource extraction sector in New England, the pattern of customer specialization among Edmonton wholesalers correlates perfectly with the patterns outlined by Goss (1973).

using salesmen, transportation costs and costs associated with slower delivery times.

Another form of marketing frequently observed among Edmonton wholesaling establishments is relying on telephone orders by customers. As much as 40-45 per cent of some firms' sales are made in this way. This sales method is often supplemented by another marketing method, which involves the customer visiting the firm. In the local market this can account for as much as 20 per cent of a firm's sales. These types of sales are usually made by small "cash and carry" operations located near the customers. Although the use of mail order catalogues was once very popular among wholesalers serving the Prairie market, it would appear that this form of wholesaling has diminished in recent years. The present unreliability of mail services in this country may be one reason for the decline in this method as a means of marketing wholesale goods. The least used method of marketing identified in the questionnaire, was salesmen on the telephone to customers. On the average, less than 10 per cent of a firm's sales are made using this method. Table 44 summarizes the percentage distributions of responses to various marketing methods used by the sample survey of Edmonton wholesalers.

When asked if any "special" marketing procedures were used to sell wholesale goods in northern markets, only 23 establishments, or 16.5 per cent of the sample survey, indicated in the affirmative. It is interesting to note that 9 establishments, or nearly 40 per cent of the respondents to this question, considered the use of a travelling salesman as a so-called 'special' marketing method. Because fewer and fewer Edmonton wholesalers are employing salesmen to cover the northern market, due in part to the increasing costs associated with serving such a

Table 44

Percentage of Marketing Methods Used by Edmonton Wholesalers

| Marketing Method | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Customer Visit | 25.2 | 12.2 | 2.2 | 5.8 | 2.2 | 1.4 | 1.4 | 1.4 | 0.7 | 2.2 | - | 0.7 | - | - | - | 0.7 | 1.4 | - | 1.4 | 0.7 |
| Telephone Order by Customer | 14.4 | 10.8 | 3.6 | 8.6 | 4.3 | 7.2 | 1.4 | 5.0 | 2.9 | 5.8 | - | 1.4 | - | 0.7 | 4.3 | 3.6 | - | 1.4 | 2.2 | 3.6 |
| Salesman's Visit to Customer | 3.6 | 2.9 | 4.3 | 6.5 | 3.6 | 5.8 | 1.4 | 7.2 | 0.7 | 6.5 | 0.7 | 5.8 | 1.4 | 2.9 | 4.3 | 6.5 | 1.4 | 5.8 | 1.4 | 5.8 |
| Salesman's Telephone Call to Customer | 17.3 | 10.8 | 3.6 | 5.8 | 3.6 | 0.7 | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - |
| Mail Order by Customer | 22.3 | 11.5 | 0.7 | 9.4 | 2.2 | 2.2 | - | 1.4 | 0.7 | 0.7 | 0.7 | - | - | - | 0.7 | 0.7 | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14= 66-70%; 15= 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

widely dispersed market, it may indeed be a 'special' sales method with respect to serving the distant northern markets.

Other so-called 'special' marketing procedures identified in the questionnaire survey included the distribution of mail order catalogues among northern customers, the extensive use of the telephone and the use of prepaid shipments to northern destinations. In addition to salesmen canvassing the market on a regular basis, some Edmonton wholesaling establishments with branch outlets in the North, provide direct sales calls to established dealers, and in some cases maintain resident warehouses in the northern communities. Other marketing procedures identified in the survey might better be described as special marketing 'services', such as providing technical service and advice to customers, providing special northern packaging and maintaining extra back-up inventory for northern related products. Extra price discounting and an emphasis on establishing good delivery times were other special considerations given northern customers.

Related to the nature of the Edmonton wholesale market is the question of special price concessions to northern customers not made available to local customers. When queried with regard to this aspect of northern marketing procedure, only four Edmonton wholesaling establishments admitted giving special pricing considerations to northern customers. Basically, these price concessions took one of two forms; extra price discounts over and above the usual transportation cost differences, and freight allowances on long northern hauls. It should be pointed out here, that several wholesaling firms interviewed in this survey indicated that the fact that they were not charging higher prices to northern customers was in itself a "special" price consideration, in

view of the extra costs associated with serving this remote and distant market.

Edmonton Wholesale Links to Northern Markets

Earlier in the study, Table 38 indentified the northern communities with which the sample survey of Edmonton wholesalers had some wholesale trade connection. At that time, some comments were made with respect to the relative importance of these communities as markets for Edmonton wholesale goods. It is now relevant to attach monetary values to each of these linkages in order that some absolute measure of importance be assigned to each link.

Tables 45 and 46 indicate the dollar value of each wholesale link between Edmonton wholesalers and each northern community identified in the survey. Table 46 specifically shows the value of sales to each community by type of Edmonton wholesale establishment. The spatial distribution and relative dimensions of these wholesaling linkages are depicted in Figure 2.

Because these tables detail the value of the wholesale linkages to each northern community, reference will only be made to the more important highlights of these results. In terms of dollar value, Grande Prairie, Peace River, Edson and Yellowknife appear to have the strongest wholesale links to Edmonton wholesaling establishments. Together these four centres account for 55.9 per cent of the value of Edmonton wholesale sales to the northern communities identified in Table 45. The total value of all northern linkages to communities identified in the survey is $41,315,980 which represents approximately 11.2 per cent of the total value of Edmonton wholesale sales in 1973. Including the

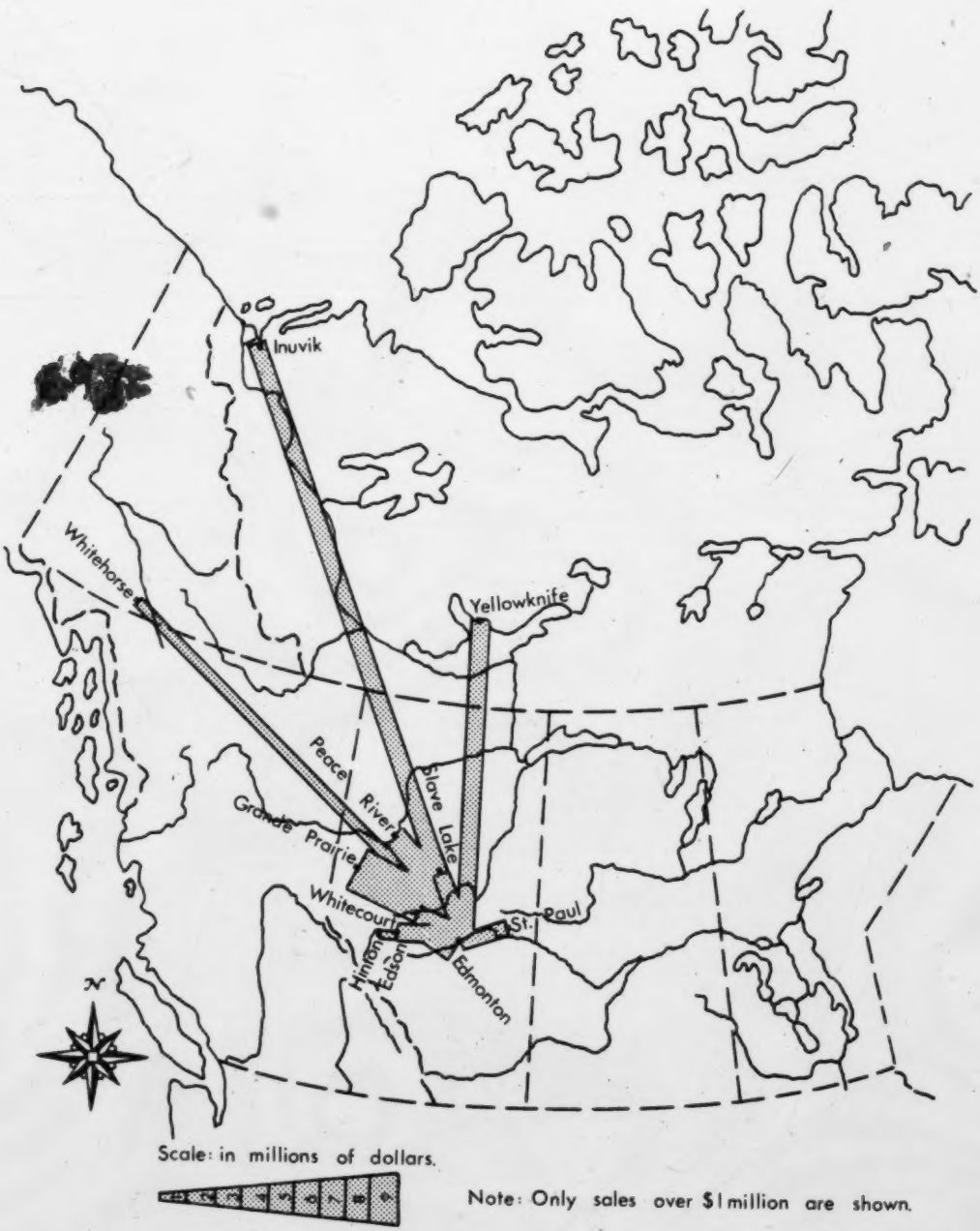


Figure 2. Wholesale Sales by Value from Edmonton to Northern Communities

Table 45

Value of Sales by Edmonton Wholesalers to Northern Communities and Regions

| Location | Sales ($) | Per Cent |
|---|---|---|
| Communities | | |
| Grande Prairie | 8,924,410 | 21.6 |
| Peace River | 4,912,810 | 11.9 |
| St. Paul | 3,803,310 | 9.2 |
| Edson | 4,907,000 | 11.9 |
| Slave Lake | 3,309,410 | 8.0 |
| Whitecourt | 3,706,230 | 8.9 |
| Whitehorse, Yukon | 1,764,300 | 4.3 |
| Yellowknife, N.W.T. | 4,350,610 | 10.5 |
| Inuvik, N.W.T. | 3,329,100 | 8.1 |
| Jasper - Hinton | 1,234,720 | 3.0 |
| Drayton Valley | 75,000 | 0.2 |
| Elk Point | 500 | 0.0 |
| Cold Lake | 2,400 | 0.0 |
| Fort McMurray | 232,680 | 0.6 |
| High Level | 187,500 | 0.5 |
| Fort Smith, N.W.T. | 10,000 | 0.0 |
| Dawson Creek | - | - |
| Fort St. John | 286,000 | 0.7 |
| Fort Nelson | - | - |
| Uranium City | 25,000 | 0.1 |
| Pine Point | - | - |
| Hay River, N.W.T. | 255,000 | 0.6 |
| Resolute Bay | - | - |
| Watson Lake | - | - |
| TOTAL | $41,315,980 | 100.0 |
| Regions | | |
| Northern Alberta | 33,451,170 | 61.2 |
| Yukon | 2,084,300 | 3.8 |
| Northwest Territories | 9,462,210 | 17.3 |
| Unspecified Northern Alberta, Yukon, Northwest Territories | 3,879,400 | 7.1 |
| Northern British Columbia | 3,373,500 | 6.2 |
| Northern Saskatchewan | 2,332,500 | 4.3 |
| Northern Manitoba | 120,000 | 0.2 |
| TOTAL | $54,703,080 | 100.0 |

Source: Questionnaire Survey.

Table 46

Value of Sales by Edmonton Wholesalers to Northern Communities and Regions, by Type of Wholesale Establishment

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments |
|---|---|---|---|
| Grande Prairie | 1 | 2,011,000 | 22.5 |
| | 2 | 616,500 | 6.9 |
| | 3 | 130,000 | 1.5 |
| | 4 | 93,500 | 1.1 |
| | 6 | 400,000 | 4.5 |
| | 7 | 1,213,500 | 13.6 |
| | 8 | 3,116,310 | 34.9 |
| | 14 | 6,000 | 0.1 |
| | 15 | 110,000 | 1.2 |
| | 16 | 979,900 | 11.0 |
| | 17 | 247,700 | 2.8 |
| | Total | 8,924,410 | 100.0 |
| Peace River | 1 | 1,558,500 | 31.7 |
| | 2 | 330,000 | 6.7 |
| | 3 | 110,000 | 2.2 |
| | 4 | 65,500 | 1.3 |
| | 6 | 50,000 | 1.0 |
| | 7 | 476,000 | 9.7 |
| | 8 | 1,402,110 | 28.5 |
| | 14 | 3,000 | 0.1 |
| | 15 | 10,000 | 0.2 |
| | 16 | 683,600 | 13.9 |
| | 17 | 223,600 | 4.6 |
| | Total | 4,912,810 | 100.0 |
| St. Paul | 1 | 1,618,000 | 42.5 |
| | 3 | 80,000 | 2.1 |
| | 4 | 15,000 | 0.4 |
| | 6 | 100,000 | 2.6 |
| | 7 | 174,500 | 4.6 |
| | 8 | 977,110 | 25.7 |
| | 11 | 30,000 | 0.8 |
| | 14 | 3,000 | 0.1 |
| | 16 | 718,700 | 18.9 |
| | 17 | 87,000 | 2.3 |
| | Total | 3,803,310 | 100.0 |
| Edson | 1 | 1,642,800 | 33.5 |
| | 2 | 187,500 | 3.8 |
| | 3 | 70,000 | 1.4 |
| | 4 | 63,000 | 1.3 |

Continued . . .

Table 46...Continued

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments |
|---|---|---|---|
| Edson...Continued | 6 | 250,000 | 5.1 |
| | 7 | 41,000 | 0.8 |
| | 8 | 1,404,000 | 28.6 |
| | 9 | 17,500 | 0.4 |
| | 10 | 450,000 | 9.2 |
| | 14 | 3,000 | 0.1 |
| | 15 | 10,000 | 0.2 |
| | 16 | 718,700 | 14.7 |
| | 17 | 49,500 | 1.0 |
| | Total | 4,907,000 | 100.0 |
| Slave Lake | 1 | 1,442,500 | 43.6 |
| | 2 | 330,500 | 10.0 |
| | 3 | 30,000 | 0.9 |
| | 4 | 15,000 | 0.5 |
| | 7 | 100,000 | 3.0 |
| | 8 | 1,240,710 | 37.5 |
| | 14 | 6,000 | 0.2 |
| | 16 | 101,200 | 3.1 |
| | 17 | 43,500 | 1.3 |
| | Total | 3,309,410 | 100.0 |
| Whitecourt | 1 | 1,578,920 | 42.6 |
| | 2 | 187,500 | 5.1 |
| | 3 | 40,000 | 1.1 |
| | 4 | 7,500 | 0.2 |
| | 7 | 76,000 | 2.1 |
| | 8 | 1,509,810 | 40.7 |
| | 11 | 60,000 | 1.6 |
| | 14 | 3,000 | 0.1 |
| | 16 | 200,000 | 5.4 |
| | 17 | 43,500 | 1.2 |
| | Total | 3,706,230 | 100.0 |
| Whitehorse | 1 | 101,000 | 5.7 |
| | 3 | 10,000 | 0.6 |
| | 4 | 57,500 | 3.3 |
| | 6 | 325,000 | 18.4 |
| | 7 | 281,000 | 15.9 |
| | 8 | 612,200 | 34.7 |
| | 11 | 60,000 | 3.4 |
| | 14 | 6,000 | 0.3 |
| | 16 | 250,000 | 14.2 |
| | 17 | 61,600 | 3.5 |
| | Total | 1,764,300 | 100.0 |

Continued . . .

Table 46...Continued

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments |
|---|---|---|---|
| Yellowknife | 1 | 1,542,500 | 35.5 |
| | 2 | 143,000 | 3.3 |
| | 3 | 40,000 | 0.9 |
| | 4 | 57,500 | 1.3 |
| | 6 | 687,500 | 15.8 |
| | 7 | 388,000 | 8.9 |
| | 8 | 545,610 | 12.5 |
| | 11 | 30,000 | 0.7 |
| | 12 | 7,500 | 0.2 |
| | 14 | 45,000 | 1.0 |
| | 16 | 802,400 | 18.4 |
| | 17 | 61,600 | 1.4 |
| | Total | 4,350,610 | 100.0 |
| Inuvik | 1 | 1,498,000 | 45.0 |
| | 3 | 10,000 | 0.3 |
| | 4 | 22,500 | 0.7 |
| | 6 | 250,000 | 7.5 |
| | 7 | 234,000 | 7.0 |
| | 8 | 591,200 | 17.8 |
| | 12 | 15,000 | 0.5 |
| | 14 | 6,000 | 0.2 |
| | 15 | 200,000 | 6.0 |
| | 16 | 502,400 | 15.1 |
| | Total | 3,329,100 | 100.0 |
| Jasper - Hinton | 1 | 11,520 | 0.9 |
| | 3 | 35,000 | 2.8 |
| | 7 | 117,000 | 9.5 |
| | 8 | 70,000 | 5.7 |
| | 16 | 1,001,200 | 81.1 |
| | Total | 1,234,720 | 100.0 |
| Drayton Valley | 8 | 75,000 | 100.0 |
| Elk Point | 8 | 500 | 100.0 |
| Cold Lake | 16 | 2,400 | 100.0 |
| Fort McMurray | 1 | 127,680 | 54.9 |
| | 8 | 87,500 | 37.6 |
| | 9 | 17,500 | 7.5 |
| | Total | 232,680 | 100.0 |
| High Level | 2 | 187,500 | 100.0 |

Continued . . .

Table 46...Continued

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments |
|---|---|---|---|
| Fort Smith, N.W.T. | 3 | 10,000 | 100.0 |
| Dawson Creek | - | - | - |
| Fort St. John | 2 | 286,000 | 100.0 |
| Fort Nelson | - | - | - |
| Uranium City | 3 | 10,000 | 40.0 |
| | 12 | 15,000 | 60.0 |
| | Total | 25,000 | 100.0 |
| Pine Point | - | - | - |
| Hay River | 1 | 240,000 | 94.1 |
| | 7 | 15,000 | 5.9 |
| | Total | 255,000 | 100.0 |
| Resolute Bay | - | - | - |
| Watson Lake | - | - | - |
| Regions | | | |
| Northern Alberta | 1 | 10,800,920 | 33.6 |
| | 2 | 1,840,000 | 5.7 |
| | 3 | 495,000 | 1.5 |
| | 4 | 259,500 | 0.8 |
| | 5 | - | - |
| | 6 | 800,000 | 2.5 |
| | 7 | 2,198,000 | 6.9 |
| | 8 | 9,883,050 | 30.8 |
| | 9 | 35,000 | 0.1 |
| | 10 | 450,000 | 1.4 |
| | 11 | 90,000 | 0.3 |
| | 12 | - | - |
| | 13 | - | - |
| | 14 | 24,000 | 0.1 |
| | 15 | 130,000 | 0.4 |
| | 16 | 4,405,700 | 13.7 |
| | 17 | 694,800 | 2.2 |
| | Total | 32,105,970 | 100.0 |

Continued . . .

Table 46...Continued

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments |
|---|---|---|---|
| Yukon | 1 | 251,000 | 17.1 |
| | 3 | 10,000 | 0.7 |
| | 4 | 145,000 | 9.9 |
| | 6 | 387,000 | 26.3 |
| | 7 | 301,000 | 20.5 |
| | 11 | 60,000 | 4.1 |
| | 14 | 6,000 | 0.4 |
| | 16 | 250,000 | 17.0 |
| | 17 | 61,600 | 4.2 |
| | Total | 1,471,600 | 100.0 |
| Northwest Territories | 1 | 3,460,500 | 36.6 |
| | 2 | 143,000 | 1.5 |
| | 3 | 80,000 | 0.9 |
| | 4 | 167,500 | 1.8 |
| | 5 | - | - |
| | 6 | 1,325,000 | 14.0 |
| | 7 | 677,000 | 7.2 |
| | 8 | 1,886,810 | 19.9 |
| | 9 | 52,500 | 0.6 |
| | 10 | - | - |
| | 11 | 30,000 | 0.3 |
| | 12 | 22,500 | 0.2 |
| | 13 | - | - |
| | 14 | 51,000 | 0.5 |
| | 15 | 200,000 | 2.1 |
| | 16 | 1,304,800 | 13.8 |
| | 17 | 61,600 | 0.7 |
| | Total | 9,462,210 | 100.0 |
| Northern Alberta, Yukon, Northwest Territories | 1 | 14,720,420 | 31.4 |
| | 2 | 2,333,000 | 5.0 |
| | 3 | 585,000 | 1.3 |
| | 4 | 572,000 | 1.2 |
| | 5 | - | - |
| | 6 | 2,812,000 | 6.0 |
| | 7 | 3,176,000 | 6.8 |
| | 8 | 12,144,260 | 25.9 |
| | 9 | 87,500 | 0.2 |
| | 10 | 450,000 | 1.0 |
| | 11 | 180,000 | 0.4 |
| | 12 | 22,500 | 0.1 |
| | 13 | - | - |

Continued . . .

Table 46...Continued

| Location | S.I.C.[1] | Sales ($) | Per Cent of Total Establishments |
|---|---|---|---|
| Northern Alberta, Yukon, Northwest Territories... Continued | 14 | 90,000 | 0.2 |
| | 15 | 1,030,000 | 2.2 |
| | 16 | 6,145,500 | 13.1 |
| | 17 | 2,571,000 | 5.5 |
| | Total | 46,919,180 | 100.0 |
| Northern British Columbia | 1 | 2,475,000 | 73.4 |
| | 2 | 286,000 | 8.5 |
| | 7 | 112,500 | 3.3 |
| | 17 | 500,000 | 14.8 |
| | Total | 3,373,500 | 100.0 |
| Northern Saskatchewan | 1 | 1,807,500 | 77.5 |
| | 3 | 10,000 | 0.4 |
| | 12 | 15,000 | 0.6 |
| | 17 | 500,000 | 21.4 |
| | Total | 2,332,500 | 100.0 |
| Northern Manitoba | 1 | 120,000 | 100.0 |

[1] Where 1 = Motor Vehicles and Automotive Equipment; 2 = Drugs, Chemicals and Allied Products; 3 = Piece Goods, Notions, Apparel, 4 = Groceries and Related Products; 5 = Farm Product - Raw Materials; 6 = Electrical Goods; 7 = Hardware, and Plumbing and Heating Equipment and Supplies; 8 = Machinery, Equipment and Supplies; 9 = Metals and Minerals, n.e.c.; 10 = Petroleum and Petroleum Products; 11 = Scrap and Waste Materials; 12 = Tobacco and Its Products; 13 = Beer, Wine and Distilled Alcoholic Beverages; 14 = Paper and Its Products; 15 = Furniture and Home Furnishings; 16 = Lumber and Construction Materials; and 17 = Miscellaneous Wholesalers, n.e.c.

Source: Questionnaire Survey.

value of wholesale linkages to other northern regions, including northern British Columbia, Saskatchewan and Manitoba, brings the total value of all northern linkages to $54,703,080, or 14.9 per cent of the total wholesale sales reported by the survey sample of Edmonton wholesalers.

As Table 45 illustrates, sales to communities and regions within the study area amount to $48,877,080, or in other words, 89.4 per cent of the total value of Edmonton wholesale linkages to the North.

Considering Edmonton's function as a "gateway" to the developing North, it is not surprising to find that the strongest links by type of establishment exist between the North and those types of wholesalers most directly involved in supplying developmental industries in the North. For example, the two most important Edmonton wholesaling sectors in terms of the number of establishments, employment and sales, are also the sectors with the strongest linkages, measured in dollar value, to each of the communities surveyed. These important wholesaling categories are the Motor Vehicles and Automotive Equipment sector and the Machinery, Equipment and Supplies sector, which accounted for between 5 and 45 per cent and 12.5 and 40.7 per cent respectively of the total wholesale linkages to each study settlement. Another important class of Edmonton wholesalers which has important implications in the regional economic development of the North, and which in this survey manifested strong wholesale linkages to each of the communities surveyed, is the Lumber and Construction Materials sector. Other sectors which also have strong developmental implications with respect to the future economic development of northern regions and which also manifested substantial wholesale linkages to the selected northern communities are the Drugs, Chemicals and Allied Products sector, the Electrical Goods sector and the Hardware, and Plumbing and Heating Equipment and Supplies sector. In other words, those firms most directly implicated in the industrial development of the northern economy are the same firms which manifest the highest value wholesale links between Edmonton and the North. Once

again, the dominant position of these important wholesaling sectors is affirmed, and the relationship between relative importance of a sector within the wholesaling structure, and the importance of the related user industry within the primary and secondary industrial structure of the region is best understood in terms of the role of both supplier and user in the economic development of the region. In other words, those Edmonton wholesaling establishments which are directly involved in supplying wholesale goods to customers in economic sectors related to the industrial development of the North, are those wholesalers with the strongest linkages to each of the communities surveyed. It is this focus on northern user demand for Edmonton wholesale goods being used in the development of the North, which sheds light on the true nature and importance of Edmonton as a "gateway". Viewed from its northern perspective, the Edmonton wholesaling structure becomes the linking vehicle by means of which the northern marketing organization takes place and becomes effective.

## Transportation Considerations

Having suggested something of the dimensions of the direct and semi-direct wholesaling linkages between Edmonton and the North, it is now necessary to focus on the nature of the facilitating linkages; that is, those linkages which make possible the flow of goods and services between centres in the marketing organization, including transportation and specialized communication. For the purposes of this analysis, we are primarily concerned with the various modes of transportation used in the distribution of Edmonton wholesale goods to the North. The relative importance of transportation in the wholesaling structure has already

been alluded to in previous discussions of the locational proximity of support businesses, and in particular, transport facilities. A further indication of its importance to wholesale distribution is suggested in the observed fact that 44.6 per cent of the sample survey maintain their own transportation facilities. Of the 60 firms reporting the nature of these facilities, 78.3 per cent reported having some form of truck transport, including light delivery trucks (1/2 and 3/4 ton capacity), vans, step-ups, semis, trailers, lowboys, and the like; and the remaining 21.7 per cent indicated using an automobile for light delivery purposes. It should be pointed out here that most firms indicated using their own transport facilities primarily for local deliveries, while relying heavily on other trucking facilities for longer hauls.

For purposes of comparison, Tables 47 and 48 illustrate the percentage distribution of transportation mode usage for the Edmonton wholesale market as a whole, and for the northern component of the market also. Because we are primarily concerned with the modes of transportation used to ship wholesale goods to the North, our attention will focus on the transportation linkages between Edmonton and its northern markets.

Because transportation freight rates are generally lower per ton-mile for goods shipped long distances in large amounts, wholesalers are able to purchase better large shipments of a particular item than are their customers. In this way, the wholesaler minimizes the transportation costs for the customer. According to Goss (1973, pp. 46-47), it is this ability, combined with reducing inventory costs and satisfying customers' demands for fast service, which has caused the wholesaler to locate near his customers.

Table 47

Percentage Use of Transportation Modes by Edmonton Wholesalers

| Transport Mode | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Railroad | 20.9 | 6.5 | 2.2 | 1.4 | 0.7 | 0.7 | - | 0.7 | 0.7 | 2.2 | 0.7 | 0.7 | - | - | - | 2.2 | - | 0.7 | - | - |
| Air Freight | 33.8 | 5.0 | 0.7 | - | - | 0.7 | - | - | - | - | - | - | - | 0.7 | - | - | - | - | - | - |
| Truck (own) | 2.9 | 6.5 | 0.7 | 2.9 | 1.4 | - | - | 3.6 | - | 3.6 | 0.7 | 4.3 | 1.4 | 0.7 | 1.4 | 0.7 | - | 2.2 | 1.4 | 4.3 |
| Truck (other) | 2.9 | 6.5 | - | 3.6 | 1.4 | 6.5 | 2.9 | 4.3 | 1.4 | 1.4 | 0.7 | 5.0 | 0.7 | 4.3 | 3.6 | 12.9 | 2.9 | 5.8 | 5.0 | 14.4 |
| Post Office | 25.9 | 5.0 | 2.2 | 4.3 | - | 5.0 | - | - | - | - | 0.7 | 0.7 | - | - | - | - | - | - | - | 1.4 |
| Automobile | 7.2 | 2.2 | 0.7 | 1.4 | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | 0.7 | 0.7 | 0.7 |
| Other (Pickup) | 2.9 | - | 0.7 | 1.4 | 0.7 | - | 0.7 | 2.2 | - | 0.7 | - | - | - | - | - | - | - | 0.7 | - | - |
| Other (Bus) | 5.0 | 2.2 | 1.4 | 0.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-50%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

Table 48

Percentage Use of Transportation Modes by Edmonton Wholesalers for Goods Shipped to the North

| Transport Mode | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Railroad | 6.5 | 4.3 | 1.4 | 0.7 | - | 0.7 | - | 0.7 | - | - | - | - | - | - | - | 0.7 | - | - | - | - |
| Air Freight | 22.3 | 8.6 | - | 2.9 | 0.7 | - | - | 0.7 | - | 3.6 | - | 0.7 | - | - | - | - | - | - | - | 0.7 |
| Truck (own) | 1.4 | 1.4 | - | 0.7 | 1.4 | 0.7 | - | - | - | - | 0.7 | - | - | - | - | 0.7 | 0.7 | 1.4 | - | 1.4 |
| Truck (other) | 0.7 | 2.2 | - | 3.6 | 0.7 | - | 0.7 | 2.2 | - | 5.0 | 0.7 | - | 2.2 | 2.9 | 2.9 | 5.8 | 2.2 | 10.1 | 8.6 | 24.5 |
| Post Office | 16.5 | 6.5 | - | 1.4 | 0.7 | 3.6 | - | 2.9 | - | 0.7 | 0.7 | 0.7 | - | - | - | - | - | - | - | 0.7 |
| Automobile | 1.4 | - | - | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (Pickup) | 1.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (Bus) | 2.2 | 0.7 | 1.4 | - | 0.7 | - | - | - | - | - | - | 0.7 | - | - | - | - | - | 0.7 | - | - |
| Other (Barge) | - | - | - | 0.7 | - | - | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - |
| Other (Truck-Barge) | - | - | - | - | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (Truck-Air) | - | - | - | - | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

Results of the survey show that truck and air transportation are by far the most popular and effective means of transferring wholesale goods from Edmonton to the North. Almost three-quarters of the sample survey indicated using truck transport to ship their goods. On the average, each firm in the sample shipped between 75 to 80 per cent of its output via this mode of transportation. In fact, almost 25 per cent of the sample survey reported using trucking companies, express or parcel service to ship almost their entire output (between 96 and 100 per cent). In addition, to purchasing trucking services from others, Edmonton wholesalers also use their own trucks to ship goods north. Approximately ten per cent of the sample used their own trucks to ship goods north. When used by Edmonton wholesalers, their own trucking services carried as much as 45 to 50 per cent of their northern shipments. In general, however, use of their own trucking service was limited primarily to local deliveries in the Edmonton wholesale market.

Although the majority of firms prefer highway transport if it is available, air transport is essential for the movement of perishable goods and urgently needed materials. In addition to the speed of the service, air transport is favoured over other modes in many instances because of the frequency of air freight service. Just over 40 per cent of the sample reported using air freight to some extent. On the average, however, only 10 to 15 per cent of a firm's output was shipped via air transport. Because of the high costs associated with this mode of transportation, air freight is generally avoided unless absolutely necessary.

The parcel post services of the post office are used to some extent by Edmonton wholesalers in supplying northern markets. Most

often this service is purchased by specialized merchant wholesalers dealing in small orders of high value which must be shipped great distances. If time is not a major consideration, then parcel post allows wholesalers to avoid otherwise high truck operating costs.

For most Edmonton wholesalers, railroads are not important for the delivery of goods to customers, and most wholesalers do not use railroads for this purpose. Only 15 per cent of those surveyed reported using the services of the railroad for delivery purposes, and for this portion of the sample, shipments usually averaged only 10 to 15 per cent of their total northern transfers. Trucks have generally replaced railroads as the carrier of goods between the wholesaler and his customers, allowing wholesalers to locate in centres that are not railroad centres and to compete with those wholesalers remaining in railroad centres. This trend towards increased use of trucking services to ship wholesale goods has led to a shift in trade areas and a rise in importance of wholesale centres of cities, that are not railroad centres. One good example of this is the rise of Edmonton as a wholesaling centre, relative to the decline of Winnipeg which previously dominated the wholesale market of western Canada.

Other modes of transportation used to ship goods from Edmonton north, include limited use of the automobile, customer pickup, bus and barge. Other forms of transportation result from a combination of the previously discussed modes such as truck-barge and truck-air combinations.

Traditionally, river traffic has been the most important mode of transport into and out of the North. Even today, a significant portion of bulk freight moves by barge. Despite the fact that distances

are extremely great and that the barge shipping season is comparatively short, Edmonton wholesalers serving the Mackenzie Valley tend to appreciate the low barge rates charged on bulk commodities. This is the primary advantage of this type of transport, and Edmonton's link by road and and rail to this system gives it a unique advantage with respect to supplying the North by water. Wholesale goods using this mode are usually shipped by truck or rail from Edmonton to Waterways, where they are then transferred to barges and transshipped to Hay River on the Great Slave Lake. With routes which branch out of the three principal lakes, Athabasca, Great Slave and Great Bear, Edmonton wholesalers are given access to a wide market on an estimated 4,300 kilometers (2,700 miles) of navigable water (Schweitzer and Stewart, 1970). The use of barge transport, however, is generally limited to the transfer of non-perishable goods or goods that are not urgently needed.

Results of this survey tend to suggest that truck and air transport facilities dominate in the transfer of goods and services between Edmonton wholesalers and the North. They are by far the most popular and effective means of moving goods to the North. Where available, truck transport is generally preferred by the majority of wholesale firms shipping goods north. The transport costs per unit weight are obviously much less for the truck transport than if the same commodity is shipped by air. As previously mentioned, air transport, while essential for perishables and urgently needed materials, is for the most part avoided unless absolutely necessary. The primary advantage of air transport to the North is the regularity and frequency of air freight service. Unlike barge transport, which is inextricably tied to the winter break-up to freeze-up period, air transport is a reliable, year-

round mode of moving freight north. Edmonton has great geographical advantage with respect to scheduled flights serving the vast northern hinterland. Air carrier activity in northern operations has increased rapidly in recent years, due mainly to the demands placed on this service by the oil and gas exploration industry. Air service from Edmonton to Canada's northland consists of a number of private and commercial aircraft, ranging from single engine float planes to jet freighters. Regularly scheduled passenger-freight service is provided by several of the commercial airlines, providing Edmonton wholesalers with an efficient means of moving travelling salesmen throughout the vast northern wholesale market.

Backward Linkages

In addition to the linkages between Edmonton wholesalers and their northern customers, that is their forward wholesale linkages, it is necessary to consider the nature and extent of their so-called backward linkages, that is those linkages between Edmonton wholesalers and their principal sources of supply. The remaining portion of this section on Edmonton wholesale linkages to the North, will deal with this aspect of the Edmonton wholesaling structure. In particular, the following discussion will focus on the types of businesses supplying Edmonton wholesalers, and where these businesses are located. An attempt will also be made to analyse the types of transportation facilities used by suppliers to ship goods to Edmonton wholesalers.

Table 49 contains the percentage distribution of goods purchased for resale by Edmonton wholesaling establishments. Most goods sold by Edmonton wholesalers are purchased directly from the manufacturer.

Table 49

Percentage of Goods Purchased by Edmonton Wholesalers for Resale, by Economic Sectors

| Economic Sector | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Manufacturing | 1.4 | 1.4 | - | 0.7 | 0.7 | 0.7 | - | - | 0.7 | 1.4 | - | 1.4 | 0.7 | 2.2 | 2.9 | 3.6 | 0.7 | 13.7 | 9.4 | 42.4 |
| Other Wholesale | 15.1 | 12.2 | 0.7 | 3.6 | 3.6 | 1.4 | 1.4 | 1.4 | - | 1.4 | 0.7 | - | - | 0.7 | - | - | - | 2.2 | 0.7 | 1.4 |
| Other | 0.7 | 0.7 | - | - | - | - | - | - | 0.7 | 0.7 | - | - | - | - | - | - | 0.7 | - | 0.7 | 0.7 |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20% 5 = 21-25%; 6 = 26-30% 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

The establishments answering the survey reported that an average of 87.7 per cent of the dollar value of goods they purchase is from manufacturing plants. Of the 117 establishments indicating backward linkages to manufacturers, 45.3 per cent stated that they purchased 100 per cent of their goods for resale directly from the manufacturing plant. Only nine firms (7.7%) indicated purchasing less than 50 per cent of their goods from manufacturers. The mean value for firms indicating purchases for resale from other wholesalers was 22.9 per cent. Almost 50 per cent of those establishments being supplied by other wholesalers purchased between 10 and 15 per cent of their inventory from this sector. Only two firms in the sample survey reported purchasing their entire input from other wholesalers. Seven Edmonton wholesaling establishments reported purchases from other sectors (retail, government, etc.), with the average purchase by these firms amounting to 55.7 per cent of their total intake.

Table 50 identifies the location of suppliers for Edmonton wholesalers by cities, provinces and regions. The first observation that can be made is that Edmonton wholesaling establishments have backward linkages extending clear across Canada, to Europe, the United States and parts of the Far East. Links have even been identified between Edmonton wholesalers and suppliers in Africa and, South and Latin America. Results of this survey would suggest that the bulk of purchases for resale are made with manufacturers located in Ontario, primarily in the Toronto-Hamilton area. For those firms with backward linkages to this region, the mean value of purchases was between 40 and 45 per cent of their total input. Only ten firms in the sample reported purchasing more than 90 per cent of their inventory from the Toronto area. In

Table 50

Percentage of Goods Purchased for Resale by Edmonton Wholesalers, by Location of Supplier

| Location | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Edmonton | 16.5 | 9.4 | 0.7 | 4.3 | 1.4 | 3.6 | - | 0.7 | - | 1.4 | - | - | - | - | 0.7 | 0.7 | 0.7 | - | 1.4 | 3.6 |
| Calgary | 12.9 | 5.0 | 1.4 | 1.4 | 0.7 | 1.4 | - | - | - | - | - | - | - | - | 0.7 | - | - | 0.7 | - | - |
| Rest of Alberta | 7.2 | 2.9 | - | 1.4 | 0.7 | - | - | - | - | - | - | 0.7 | - | 0.7 | - | - | 0.7 | - | - | 0.7 |
| Vancouver | 18.7 | 5.8 | 2.2 | 0.7 | - | - | 0.7 | 0.7 | 0.7 | 1.4 | - | 0.7 | - | 0.7 | - | - | - | - | - | 0.7 |
| Rest of British Columbia | 0.7 | - | - | - | - | 0.7 | - | - | - | - | 0.7 | 0.7 | - | - | - | - | - | - | - | - |
| Winnipeg | 10.1 | 0.7 | 2.2 | 2.9 | 0.7 | - | - | - | 0.7 | 0.7 | - | - | - | - | 0.7 | - | - | - | - | 0.7 |
| Rest of Manitoba | 2.9 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Toronto | 5.8 | 3.6 | 1.4 | 2.2 | 3.6 | 3.6 | 0.7 | 5.8 | - | 2.9 | - | 3.6 | 2.2 | 2.2 | - | 0.7 | - | 0.7 | 2.9 | 4.3 |
| Rest of Ontario | 6.5 | 7.2 | 3.6 | 2.9 | 0.7 | 5.0 | 2.2 | - | - | 2.2 | - | 2.2 | - | 2.2 | 0.7 | - | 0.7 | - | - | 2.9 |
| Montreal | 10.1 | 6.5 | 2.2 | 1.4 | 1.4 | 2.9 | 0.7 | 1.4 | 1.4 | 0.7 | - | - | - | - | - | 0.7 | - | - | 0.7 | - |
| Rest of Quebec | 7.2 | 2.2 | 0.7 | 0.7 | 0.7 | - | - | - | 0.7 | - | - | - | - | - | - | - | - | 0.7 | - | - |
| Maritimes | 0.7 | 1.4 | - | - | 1.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| United States | 7.9 | 5.8 | 2.9 | 5.0 | 3.6 | 2.9 | 0.7 | 1.4 | - | 0.7 | 0.7 | - | 0.7 | 1.4 | 0.7 | 2.9 | 0.7 | 0.7 | 2.2 | 3.6 |
| Europe | 8.6 | 2.2 | - | 1.4 | 0.7 | 0.7 | 1.4 | 0.7 | - | 2.2 | - | - | - | - | - | - | - | 0.7 | - | 0.7 |
| Australia | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Japan | 1.4 | 0.7 | 0.7 | 1.4 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Newfoundland | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Orient | 0.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Saskatchewan | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.7 | - | - | - | - | - |
| South Africa | 0.7 | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| South and Latin America | - | - | - | 0.7 | - | - | - | - | - | - | - | - | 0.7 | - | - | - | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

addition to linkages with Ontario, approximately 45 per cent of the sample survey indicated purchasing goods for resale from the Edmonton area. Fifty-seven per cent of the wholesalers indicating linkages with Edmonton suppliers, reported purchasing less than 10 per cent of their stocks from this area. The average purchase amounted to between 25 and 30 per cent of inventory purchases. An equal amount of firms also indicated strong linkages to United States suppliers of products for wholesale distribution. For firms with backward linkages to U.S.-based suppliers, these purchases usually accounted for a third of their annual intake. Other less important linkages were identified to Montreal, Vancouver and Winnipeg. Figure 3 illustrates the "spray" of backward linkages between Edmonton and its various sources of supply, as well as indicating the forward linkages between Edmonton wholesalers and all northern markets identified in the questionnaire survey. Note that these linkages are not proportionally represented and are intended to indicate only the existence of a linkage between Edmonton and its source of supply or northern wholesale market.

Because the distance between Edmonton wholesalers and their suppliers is greater than the distance between Edmonton wholesalers and their customers, and also because the average size of the shipment is larger, different forms of transportation are used to procure goods from suppliers. In general, there is less use of highway vehicles and more use of rail, air and water transportation.

Table 51 contains the percentage distribution of goods delivered to Edmonton wholesalers by the various modes of transportation. Although truck transport is not used to the same extent as in the case of the forward linkages, this mode of transportation still accounts for

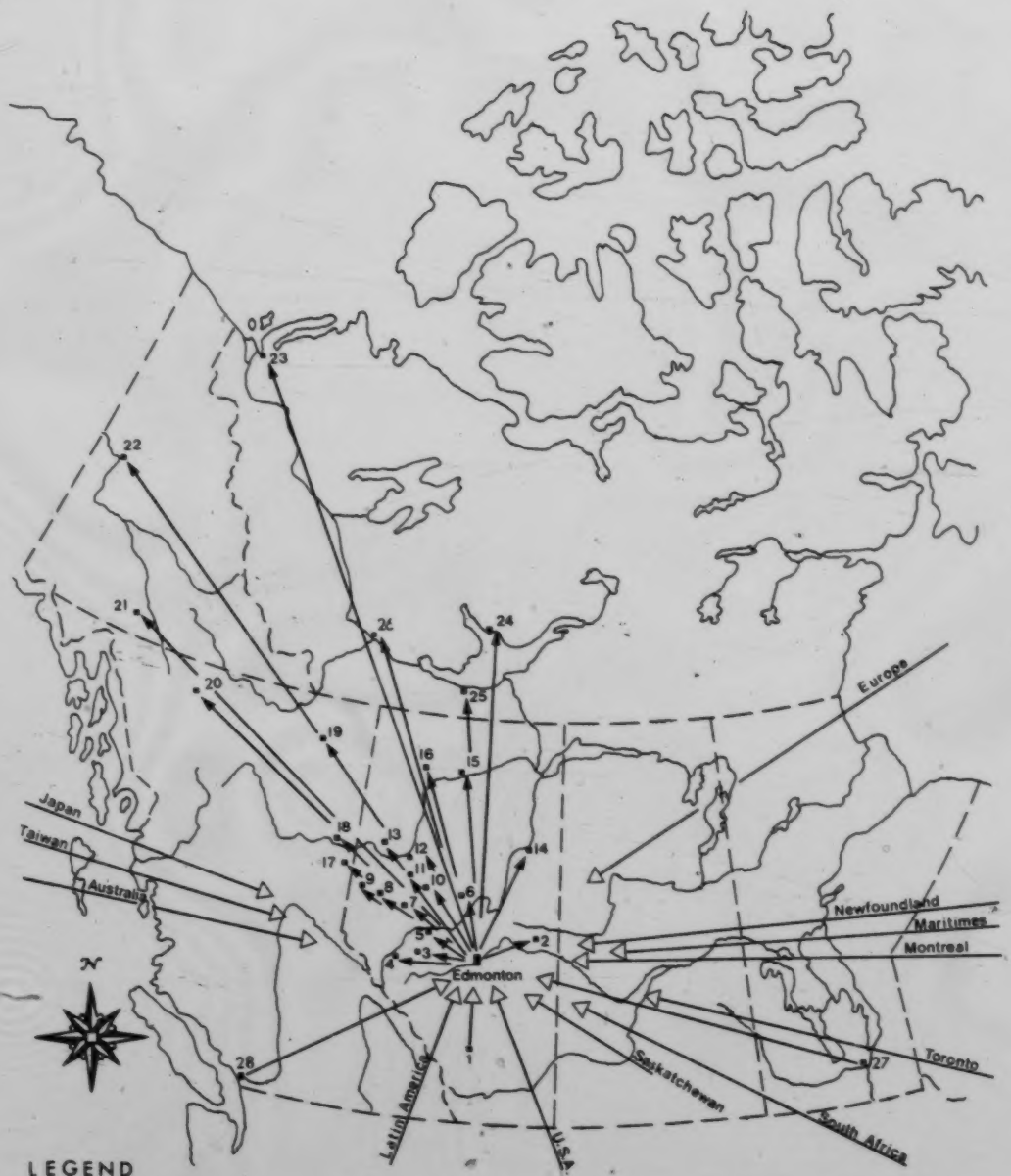


Figure 3· Linkage Connections of Edmonton Wholesalers with Suppliers and Northern Markets

Table 51

Percentage of Goods Delivered to Edmonton Wholesalers, by Transportation Mode

| Transport Mode | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Railroad | 7.2 | 8.6 | 2.2 | 3.6 | 2.2 | 4.3 | - | 2.9 | 1.4 | 3.6 | - | 2.2 | 0.7 | 1.4 | 1.4 | 4.3 | - | 2.9 | 0.7 | 1.4 |
| Air Freight | 24.5 | 6.5 | 0.7 | 1.4 | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | 0.7 | - | - |
| Truck (own) | 1.4 | 2.2 | - | 2.2 | - | 0.7 | 0.7 | 0.7 | - | 0.7 | - | - | - | - | 0.7 | 1.4 | 0.7 | - | 0.7 | 1.4 |
| Truck (other) | 2.2 | 6.5 | 1.4 | 5.0 | 1.4 | 2.2 | 0.7 | 3.6 | 1.4 | 2.9 | 2.2 | 4.3 | 0.7 | 1.4 | 4.3 | 5.0 | 2.2 | 7.2 | 8.6 | 25.2 |
| Post Office | 23.7 | 7.9 | 0.7 | 1.4 | 0.7 | 0.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | 1.4 |
| Automobile | 1.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 0.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | 0.7 | - | - | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

the bulk of the freight shipped by suppliers to Edmonton wholesalers. Over 85 per cent of the survey sample reported having goods delivered to them by truck, with 25.2 per cent of these respondents indicating that almost all (96-100%) of their stock orders were shipped to them by truck. The average percentage of goods shipped to Edmonton wholesalers in the sample was somewhere between 65 and 70 per cent for those with truck facilitating linkages. It should be pointed out here that part of this large proportion of shipments received by Edmonton wholesalers is delivered to the city on one means of conveyance, such as rail or air, then transferred to trucks and delivered to wholesalers.

Next in importance in terms of the percentage of goods shipped to Edmonton wholesalers is rail facilities. Fifty-one per cent of the survey sample reported having goods shipped to them by rail, with the average shipment accounting for approximately 35 to 40 per cent of the establishment's input. Again, air freight and parcel post account for some of the goods moving into the Edmonton wholesaling structure, with about 35 per cent of the sample having goods delivered by these means. However, for those with deliveries by air, the shipments usually do not amount to more than 10 per cent of the goods purchased for resale by Edmonton wholesalers. Some goods are delivered to the city by rail or air, stored by freight forwarding companies, and subsequently picked up by the individual wholesaler, particularly if the firm own's its own transport facilities.

One final aspect of the wholesale linkages between Edmonton and the North, to be dealt with in this section, relates to the physical weight of the shipments of wholesale goods between regions. Table 52 shows the distribution of respondents to this question in the survey for

Table 52

Shipments of Edmonton Wholesale Firms, by Weight

| Weight of Shipment (Tons) | In Edmonton | Per Cent | To North | Per Cent | To Other Area | Per Cent |
|---|---|---|---|---|---|---|
| 1 - 49 | 19 | 38 | 23 | 59 | 16 | 39 |
| 50 - 199 | 11 | 22 | 7 | 18 | 7 | 17 |
| 200 - 799 | 8 | 16 | 6 | 15 | 11 | 27 |
| 800 - 3199 | 6 | 12 | 1 | 3 | 4 | 10 |
| 3200 or more | 6 | 12 | 2 | 5 | 3 | 7 |
| TOTAL | 50 | 100 | 39 | 100 | 41 | 100 |

Source: Questionnaire Survey.

each of the selected weight categories. As Table 52 illustrates, almost 60 per cent of the northern shipments of wholesale goods are under 50 tons, with only 50 per cent in excess of 3,200 tons. Unfortunately, because many of the larger wholesalers dealing in heavy products such as industrial machinery, fuel, equipment and supplies, failed to respond to this question in the survey, due to problems associated with making an accurate estimate of the physical volume they ship each year, caution must be exercised in interpreting the results of this table.

## Competition and Market Penetration

Before discussing the wholesale linkages between Edmonton and the North from the standpoint of the northern wholesalers, it is necessary to briefly outline some of the problems of wholesale competition for northern markets and reasons for penetration of these markets by wholesalers from other western Canadian wholesaling centres, such as Vancouver, Winnipeg and to some extent Calgary.

When questioned with regard to the penetration of Edmonton wholesaling markets in the North by wholesalers from Vancouver, Winnipeg and Calgary, only 26.7 per cent of those responding to the query indicated that such penetration had occurred. More important, however, are the reasons for the observed market penetration by these wholesalers.

By far, the main reason, most often cited, for market penetration was the stiff price competition undertaken by Vancouver wholesalers. In some markets, as in Grande Prairie for example, firms are able to purchase goods directly from Vancouver wholesalers at lower prices than available in Edmonton. In addition, Vancouver wholesalers have even gone to the point of establishing local jobber warehouses in some northern communities in order to better serve this expanding market. One of the reasons suggested for the lower prices from Vancouver relates to the more efficient distribution costs characteristic of the Vancouver wholesaling structure.

Related to this aspect of lower prices, is the reported better quality and less expensive transportaion between Vancouver and the North. Comments like "lower freight rates on B.C. railways", "lower freight rates on north-south B.C. truck routes" and "lower freight rates from Vancouver" were typical of the responses to this aspect of the survey.

For some communities, such as Whitehorse in the Yukon, Vancouver has been a traditional source of supply for wholesale goods. Similarly, the location of mining head offices in Vancouver and oil company head offices in Calgary have led to the development of traditional wholesale links between these centres and the North based on head office affiliations.

Apart from these apparently overt attempts by wholesalers from Vancouver and Calgary to penetrate the northern wholesale markets traditionally served by Edmonton wholesalers, there are reasons for this competition which relate to deficiencies in the Edmonton wholesaling structure. For example, some products are not available in Edmonton and hence must be purchased from other suppliers, usually located in Vancouver. Other reasons for market penetration observed by this survey are forces over which no wholesaling sector has control. Buyer indifference with respect to where supplies are purchased is one example cited by the survey sample as reasons for increased competition from outside forces. Other Edmonton wholesalers feel that the increased penetration by outside wholesalers is the result of natural market expansion, particularly with respect to the penetration of the North by Vancouver wholesale markets. Whatever the reason, the results of this survey would tend to substantiate the claim that wholesalers from centres such as Vancouver, Winnipeg and Calgary are making inroads to the northern markets and that this does have important implications for Edmonton both as a "gateway" and as a potential supplier for future expanded economic development in the North. The implications of the competition and market penetration will be looked into in more detail later in the study, after other aspects of the northern marketing structure have been dealt with in the next section.

## Northern Alberta Wholesale Trade Survey

### Nature of the Northern Wholesale Markets

In addition to wholesale linkages from Edmonton to the North,

there are direct and semi-direct wholesale linkages originating within the region. In other words, the user industries in the North are not only being supplied by Edmonton distributors, they are also being serviced by local wholesaling establishments. The purpose of this section of the study is to critically evaluate the nature and extent of these internal northern wholesaling linkages in order to determine how these linkages fit into the broader aspects of the region's marketing organizaton.

As would be expected for these smaller indigenous wholesale markets, northern wholesaling establishments located in ten study settlements tend to do the majority of their business locally. Results of the questionnaire survey indicate that 61.1 per cent of those responding to this aspect of the survey, or 51.2 per cent of the sample survey, reported selling between 96 and 100 per cent of their output, in terms of dollar value, in their local wholesale market. By local, reference is being made here to the market trade area within and immediately surrounding each community. The mean value of goods sold in each community's local wholesale market was approximately 80 to 85 per cent. Approximately 40 per cent of those with forward linkages outside Alberta sell between 96 and 100 per cent of their output in that market. The remainder do less than half of their wholesale business outside the province. With an average of 80 to 85 per cent of the northern wholesale trade being distributed locally, with over half of the establishments doing nearly 100 per cent of their sales within each local market, it follows that wholesale linkages between communities within the study area and between wholesalers in the study settlements and users outside the study area are for the most part very weak.

In lieu of reporting the small values of wholesale linkages outside each study settlement it was decided that the total value of each wholesale market would be a more relevant measure of importance. Table 53 ranks nine of the study settlements by value of their total wholesale market, which includes local wholesale sales plus sales from other northern communities. The values given in Table 53 do not include the value of wholesale goods sold in each community from Edmonton wholesalers, unless such goods happen to pass through a wholesale intermediary located within the study settlement. The results of the Fort McMurray survey are excluded from Table 53 because of the small sample size.

Table 53 illustrates the dominance of Grande Prairie, Whitehorse and Yellowknife as regional centres. Distribution of these marketing centres in terms of the value of their wholesale market corresponds quite closely to the distribution of the number of wholesale establishments and the size of each community's population.

One anomaly, however, does appear in the table and that is with respect to the relative importance of Slave Lake as a wholesale distribution point in northern Alberta. As the smallest study settlement in terms of population, it is surprising to observe that it ranks sixth in terms of the number of wholesale establishments and fourth in terms of the value of its total wholesale sales transactions. Its relative dominance over other northern Alberta distribution centres can be partially explained in terms of its geographical location within the study area and by the types of establishments which characterize its wholesale structure. Being the only settlement of any significant size located within the northern-central region of the province, and suf-

Table 53

Northern Communities Ranked by Wholesale Market Value, and by Most Important Types of Wholesale Establishments

| Rank | Location | Market Value ($) | Ranked S.I.C.[1] | Per Cent of Value |
|---|---|---|---|---|
| 1 | Grande Prairie | 16,021,900 | 8 | 51.3 |
| | | | 4 | 25.8 |
| | | | 7 | 9.8 |
| 2 | Whitehorse | 6,507,500 | 4 | 43.1 |
| | | | 7 | 31.0 |
| | | | 1 | 17.3 |
| 3 | Yellowknife | 4,047,500 | 10 | 92.7 |
| | | | 4 | 4.3 |
| | | | 1 | 2.2 |
| 4 | Slave Lake | 2,490,500 | 10 | 70.3 |
| | | | 8 | 15.1 |
| | | | 1 | 9.1 |
| 5 | Peace River | 2,380,850 | 8 | 52.5 |
| | | | 4 | 20.9 |
| | | | 10 | 11.3 |
| 6 | St. Paul | 1,715,000 | 8 | 48.1 |
| | | | 7 | 43.7 |
| | | | 4 | 8.2 |
| 7 | Edson | 940,000 | 10 | 85.1 |
| | | | 4 | 14.9 |
| 8 | Inuvik | 888,500 | 4 | 63.9 |
| | | | 7 | 29.9 |
| | | | 1 | 5.6 |
| 9 | Whitecourt | 190,000 | 10 | 70.3 |
| | | | 8 | 15.1 |
| | | | 1 | 9.1 |

[1] Only first three ranks are shown, where S.I.C. 1 = Motor Vehicles and Automotive Equipment; 2 = Drugs, Chemicals and Allied Products; 3 = Piece Goods, Notions, Apparel; 4 = Groceries and Related Products; 5 = Farm Product - Raw Materials; 6 = Electrical Goods; 7 = Hardware, and Plumbing and Heating Equipment and Supplies; 8 = Machinery, Equipment and Supplies; 9 = Metals and Minerals, n.e.c.; 10 = Petroleum and Petroleum Products; 11 = Scrap and Waste Materials; 12 = Tobacco and Its Products; 13 = Beer, Wine and Distilled Alcoholic Beverages; 14 = Paper and Its Products; 15 = Furniture and Home Furnishings; 16 = Lumber and Construction Materials; and 17 = Miscellaneous Wholesalers, n.e.c.

Source: Questionnaire Survey.

ficiently distant from other major regional wholesaling markets such as Grande Prairie, Yellowknife and Edmonton, Slave Lake has been able to develop a fairly significant wholesale trade sector relative to its population. Whereas the geographic location of Peace River results in its wholesale market being overshadowed by the more dominant regional centre, Grande Prairie, as are the markets of Edson and Whitecourt overshadowed by the dominance of Edmonton as a wholesale market, the location of Slave Lake has allowed this community to develop a strong wholesale infrastructure relative to its size within the study region. In addition to its favourable geographic location, the relative dominance of Slave Lake within the northern wholesaling structure can, in part be explained by the nature of its wholesaling establishments, and in particular, the type of products they distribute. Located on one of the province's major oil and natural gas fields, the wholesaling structure of Slave Lake reflects the importance of this economic activity to the industrial structure of the community. Five of the seven (71.4%) Slave Lake wholesaling establishments are in the Petroleum and Petroleum Products class, which together account for 70.3 per cent of the centre's total wholesale market value. In addition, the two remaining wholesaling establishments are directly related to the oil industry, one being a supplier of oil field equipment and supplies specializing in bottom hole pumps, valves and fittings, and the other being an associate jobber of parts for motor vehicles and other sundry industrial supplies. In other words, the dominance of Slave Lake as a wholesale distributor of petroleum and petroleum related products is a reflection of its primary and secondary industrial structure.

With the majority of wholesale transactions being conducted in

Table 54

Distribution of Branch Outlets of Northern Wholesalers

| Location of Wholesaler | Location of Branch Outlet | Employment at Branch Outlet |
|---|---|---|
| Grande Prairie | Hay River | 25 |
| | Dawson Creek | 2 |
| Peace River | Hay River | 8 |
| Slave Lake | Swan Hills | 4 |
| Whitehorse | Yellowknife | - |
| | Whitehorse | 3 |

Source: Questionnaire Survey.

local wholesale markets, it is not surprising to observe that most northern wholesalers do not have branch outlets in any other northern settlements. In fact, only six firms (14.6%) in the sample survey of northern wholesalers indicated having branch outlets in other northern communities. Table 54 contains the distribution of branch outlets for northern wholesalers by location of parent establishments and location of branch outlet. The employment at each branch outlet is also shown in Table 54. Results of this table illustrate the relative importance of Hay River as a transshipment point between the northern Alberta markets and markets in the Northwest Territories, particularly those distributed along the barge routes in the Mackenzie River Valley. Hay River is an important distribution point for the Territories, particularly during fall freeze-up and spring-thaw periods when road access to Yellowknife is disrupted and all goods being shipped by truck must be transshipped at Hay River and flown into Yellowknife. Grande Prairie's linkages with the northern British Columbia market are also illustrated in this table.

And once again, the dominance of Slave Lake in north-central Alberta is affirmed by the presence of a Slave Lake branch outlet in Swan Hills.

Table 55 contains the percentage distribution of wholesale sales by northern wholesaling establishments to the various user industries grouped by principal economic sectors. As in the case of the Edmonton wholesaling strucuture, retail customers accounted for the greatest proportion of wholesale sales by economic sectors. Sixty-three per cent of the survey sample of northern wholesalers reported sales to the retail sector of each respective community. For those firms indicating linkages with the retail economic sector, the average value of their total sales going to this sector was around 55 per cent. Six firms (23.1%) reporting linkages to retail customers indicated that the bulk of their sales (96-100%) went to this all-important industrial category. Once again, as in the Edmonton wholesaling structure, the so-called "other businesses" category accounted for the second largest proportion of total wholesale sales by northern establishments. The mean proportion going to this sector by the survey sample was between 40 and 45 per cent. Almost a quarter of those doing business with this sector indicated having less than 10 per cent of their goods purchased by this sector. Only three firms (7.3%) reported doing all their business with the "other businesses" category.

Surprisingly, after the two previously mentioned industrial categories, sales to government ranked third in importance in terms of the number of wholesalers reporting connections to each economic sector. Although over half the survey sample indicated sales to government, the average proportion of their total volume accounted for by these sales amounted to only 10-15 per cent. No firm in the sample did more than 30

Table 55

Percentage of Sales by Northern Wholesalers, by Economic Sector

| Economic Sector | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Mineral Resource Extraction | 12.2 | 2.4 | 2.4 | 2.4 | - | 4.9 | - | - | - | 7.3 | - | 7.3 | - | 2.4 | - | 2.4 | - | 2.4 | - | 2.4 |
| Manufacturing | 7.3 | 9.8 | - | 2.4 | 2.4 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Retail | 7.3 | 12.2 | 2.4 | 2.4 | 2.4 | - | - | 4.9 | - | - | - | 2.4 | - | 2.4 | 4.9 | - | 2.4 | 4.9 | - | 14.6 |
| Other Wholesale | 4.9 | 2.4 | - | 2.4 | 2.4 | - | - | - | - | - | 2.4 | - | - | 2.4 | - | - | - | 2.4 | - | - |
| Other Businesses | 4.9 | 9.8 | 4.9 | 4.9 | 2.4 | 4.9 | 2.4 | - | - | 2.4 | - | - | 4.9 | - | 4.9 | 2.4 | - | - | - | 7.3 |
| Government | 17.1 | 22.0 | 2.4 | 4.9 | - | 4.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Householders | 4.9 | 7.3 | - | 2.4 | - | - | - | 2.4 | - | - | - | - | - | 2.4 | - | - | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

per cent of its business with government, with 76.2 per cent doing less than 10 per cent.

Very close to 50 per cent of the survey sample also reported doing business with the mineral resource extraction sector. Of this 50 per cent, most reported doing less than 5 per cent of their total sales with this sector, with an average of 1-5 per cent being done by all northern wholesalers in the sample. Not surprisingly, one notable exception was Fort McMurray where wholesalers reported doing almost 50 per cent of their sales with the mineral resource extraction sector.

Almost equal amounts of the sample survey, approximately 21 per cent, reported wholesale trade connections with manufacturers, households and other wholesalers. Sales to manufacturers accounted for an average of 10 per cent of a firm's total sales, with no firm doing more than 25 per cent of its business with this sector, and with over a third doing less than 5 per cent. The mean value of sales to other wholesalers was very close to 35 per cent. For wholesale sales to householders in the North, the average value was around 20 per cent, but most (62.5%) did less than 10 per cent.

Like the Edmonton wholesaling structure, the wholesaling structure of the North is characterized by a wide range of customers, including government, mineral resource extraction industries, manufacturers, household consumers, retailers, other wholesalers and other business enterprises. Although results of the survey did not report exact proportions of sales volumes accounted for by purchases from each sector within each community, aggregate data results do permit approximations for the distribution of sales to each of the major economic sectors for the study region as a whole. Adjusting for non-response in the survey,

it can be shown that the survey sample of northern wholesaling establishments had their sales distributed to each of the principal economic sectors as follows: 36.2 per cent to retailing, 29.6 per cent to other businesses, 18.6 per cent to mineral resource extraction industries, 6.5 per cent to government, 5.9 per cent to household consumers, 1.6 per cent to manufacturers, and 1.5 per cent to other wholesalers. Comparison of these results with the similar distribution for the Edmonton wholesaling structure reflects the major difference in the nature of the two markets; that is, with respect to Edmonton's role as the main supply centre for northern wholesalers. On the other hand, in northern wholesale markets more emphasis is placed on sales to government agencies by local rather than outside distributors; reflecting in part the concern by government for stimulation of growth in local business enterprises rather than establishments located in distant major marketing centres.

Marketing Methods Used by Northern Wholesalers

The distribution of marketing methods used by northern wholesalers is considerably different compared with the patterns observed for Edmonton wholesaling establishments. Table 56 contains the percentage distribution of the various marketing methods being used by northern wholesalers. Unlike the Edmonton wholesaling structure which was characterized by the dominance of travelling salesmen as the main marketing method, results of the survey of northern wholesale trade shows that more northern wholesale goods are sold by telephone orders by customers and customer visits to wholesaling firms than by any other marketing method. Over 90 per cent of the sample survey reported using these two sales methods. On the average these two categories each

Table 56

Distribution of Marketing Methods Used by Northern Wholesalers

| Marketing Method | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Customer Visit | 14.6 | 26.8 | - | 4.9 | - | 12.2 | - | 7.3 | - | 4.9 | - | 7.3 | - | 2.4 | 2.4 | 4.9 | - | 4.9 | - | - |
| Telephone Order by Customer | 7.3 | 14.6 | 2.4 | 14.6 | 2.4 | 12.2 | - | 4.9 | 2.4 | 7.3 | 2.4 | - | - | [illegible] | | 7.3 | - | 7.3 | - | - |
| Salesman's Visit to Customer | 9.8 | 12.2 | 9.8 | 7.3 | 2.4 | 4.9 | - | 4.9 | - | 4.9 | - | - | - | 2.4 | - | - | - | 7.3 | - | 2.4 |
| Salesman's Telephone Call to Customer | 12.2 | 19.5 | - | - | - | 4.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Mail Order by Customer | 12.2 | 9.8 | - | 2.4 | 2.4 | - | - | 2.4 | - | 7.3 | - | - | - | 2.4 | - | - | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

accounted for between 30 and 40 per cent of the sales by each firm in the sample.

Following these two marketing methods in importance in terms of the number of establishments using them, were sales by travelling salesmen, which on the average accounted for a third of the firms total wholesale sales. Of the 28 firms using salesmen, one-third reported selling less than 10 per cent of their business this way. Only one firm reported using salesmen as the only means of marketing its products.

Sales by salesmen on the telephone to customers and mail order by customers, were reported by approximately 40 per cent of the sample survey. No firm reported doing more than 30 per cent of its business by salesmen on the telephone, and about one-third of those using mail order sales techniques did less than 5 per cent of their business in this way.

In addition to these five basic marketing methods, northern wholesaling establishments identified a number of so-called "special marketing procedures". Of those firms responding to this question in the survey, 27.5 per cent identified certain special sales methods used to distribute their products throughout the northern markets. As in the case of the Edmonton wholesaling structure, a number of northern wholesaling establishments considered use of a salesman canvassing the area on a regular basis as a special marketing procedure. In addition to regular sales calls, some northern wholesaling firms placed a great deal of emphasis on local after sales service to customers. Other special marketing procedures related to various promotional services such as special advertising and special sales promotional work. Some firms made special transportation arrangements for customers, including prepaid shipping, and one wholesaler in the North even went as far as employing

a company owned aircraft to make special deliveries to customers requiring urgently needed materials. Although not strictly speaking a sales technique, another service identified in the questionnaire relates to the provision of inventory and stock control, which some wholesalers view as a special marketing consideration given their customers which tends to enhance sales.

## Northern Forward Wholesale Linkages

As indicated in the previous section of the report, sales in each local wholesale market account for between 80 and 85 per cent of the total sales volume of each northern wholesaling establishment in the sample survey. The total value of local wholesale sales calculated for the sample was $36,205,400, or in other words, 79.9 per cent of the total value of northern wholesale sales. With such a substantial portion of the total sales volume of northern wholesalers accounted for by internal wholesale linkages, it is of little value to document and measure the remaining forward linkages between northern wholesalers and other northern communities. With less than $10 million distributed over nine study settlements, and among 41 odd wholesaling establishments, the relative value of each external linkage is comparatively insignificant, particularly in light of the total value of the northern wholesale market.

## Transportation Considerations

In terms of facilitating linkages, that is the transportation and communication linkages between northern wholesalers and their customers, the pattern observed for the northern wholesaling structure

is similar in most respects to the one previously described for the Edmonton wholesaling structure. As in the Edmonton wholesaling industry, truck transport is by far the most popular form of transportation used by northern wholesalers. Almost 80 per cent of the sample survey reported using truck transport to ship their goods to customers. On the average, each wholesaler shipped between 55 and 60 per cent of his output via this mode of transportation. In fact, almost 20 per cent of the sample indicated using trucking companies, express or parcel service to ship almost their entire output (between 96 and 100 per cent). A third of the sample shipped over 80 per cent of their products in trucks. In addition to purchasing trucking services from others, northern wholesalers also use their own trucks to ship goods to customers. Just over half the sample reported having their own trucks, including various forms of light delivery trucks, semis, truck-trailers, and the like. Used primarily for local deliveries, northern wholesalers use their own trucks to ship, on the average, between 50 and 55 per cent of their sales, with 30 per cent using their own trucks for almost all deliveries (96-100%).

For perishables and urgently needed products, air transport is usually used. For the sample survey of northern wholesalers, 13 firms reported using air freight to ship their goods, with a mean shipment averaging 25-30 per cent their total output. Most shipments however were relatively small, with close to 40 per cent of the respondents indicating that less than 5 per cent of their total shipments went by air.

The parcel post services of the post office are also used by a number of northern wholesalers, however, the present unreliability of

this service has tended to restrict shipments to less than 10 per cent of all goods being delivered. With the majority of sales occuring in the local market, northern wholesalers have little need for railroads to deliver their products to customers. Only eight firms reported using rail facilities for delivery purposes, with the average shipment amounting to no more than 20 per cent of their total output. Almost a third of those using the railroads reported shipping less than 5 per cent of their sales via this mode. Other modes of transport used by northern wholesalers include the automobile for light local deliveries, customer pickup, bus and barge. Table 57 summarizes the percentage distribution of the various modes of transportation used by northern wholesalers to ship the wholesale goods they sell.

Backward Linkages

In addition to analysing the forward linkages between northern wholesalers and their customers, the Northern Alberta Wholesale Trade Survey questionnaire was designed to determine the nature and relative extent of the backward linkages between northern wholesalers and their various suppliers. Responses to this aspect of the survey show that most goods sold by northern wholesalers are purchased directly from the manufacturer. Eighty-one per cent of the sample survey indicated purchasing a portion of their goods for resale from manufacturing plants, with an average purchase amounting to between 75 and 80 per cent of their total annual intake. Just over 40 per cent of those buying direct from the manufacturer bought the bulk of their goods (96-100%) from this one source. A portion of the northern wholesaler's inventory of stock was also purchased from other wholesalers. Twenty-seven north-

Table 57

Percentage Use of Transportation Modes Used by Northern Wholesalers

| Transport Mode | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Railroad | 7.3 | 4.9 | 2.4 | 2.4 | - | - | - | - | - | - | - | - | - | - | - | 2.4 | - | - | - | - |
| Air Freight | 12.2 | 7.3 | 4.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4.9 | 2.4 | - |
| Truck (own) | 7.3 | 2.4 | 4.9 | 4.9 | - | - | - | - | - | - | - | - | - | 2.4 | - | 2.4 | - | 2.4 | 2.4 | 12.2 |
| Truck (other) | 12.2 | 4.9 | 2.4 | 4.9 | - | 2.4 | 2.4 | - | - | 2.4 | - | - | 4.9 | 4.9 | 2.4 | 7.3 | - | 4.9 | 7.3 | 14.6 |
| Post Office | 22.0 | 12.2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Automobile | 12.2 | 4.9 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (Pickup) | - | - | - | - | - | - | - | - | - | 2.4 | - | - | - | - | - | - | - | - | 2.4 | 4.9 |
| Other (Bus) | 4.9 | - | - | 2.4 | - | - | - | - | - | - | - | - | - | - | 2.4 | - | - | - | - | 2.4 |
| Other (Barge) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2.4 | - | - | - | - |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

ern wholesaling establishments reported purchasing some of their stock from other wholesalers, with the mean purchase averaging around 50 per cent of their total purchases. About 20 per cent indicated buying their entire stock from other wholesalers. Together these two sources of supply accounted for the entire intake of stock by northern wholesalers, with the proportions bought from each source varying both by location of the wholesaler and the type of wholesaling operation.

When asked the location of their various sources of supply, northern wholesalers identified backward linkages to Edmonton, Calgary, Vancouver, Winnipeg, Toronto, Montreal, Regina and Norman Wells. Other regions indicated as sources of supply for northern wholesalers included the Maritimes, the United States and Europe. Results of this survey indicate conclusively that the majority of goods purchased for resale by northern wholesalers come from Edmonton. Just over 80 per cent of the sample indicated backward linkages to Edmonton, with the average firm purchasing approximately 60 to 65 per cent its his stock from this location.

By far the greatest proportion of goods purchased for resale by northern wholesalers is delivered to these firms by truck facilitating linkages. Over 90 per cent of the sample survey reported having their stock order delivered by truck transport, with average shipment accounting for 60 to 65 per cent of the firms total input. Over a quarter of those responding to this question in the survey reported receiving almost their entire stock via this important mode of transportation. Some firms also picked up their merchandise from some other delivery point, and delivered to their establishment in their own trucks.

Approximately half of the sample indicated rail linkages to

suppliers, for an average delivered shipment accounting for 30 per cent of their stock purchases. Although many wholesaling establishments (about 25%) indicated having goods delivered to them by rail, these shipments usually amounted to no more than 5 per cent of their annual intake. Air transport also provides some northern wholesalers with their supplies, but again the proportion of their total input delivered by this means is small, ususally less than 5 per cent. The parcel post service of the post office is also used to a limited extent, with no one in the sample indicating having more than 15 per cent of their goods delivered in this way. Other means of conveyance used to deliver goods to northern wholesalers include the bus, truck-barge and water-rail combinations. The shipments of bulky commodities to points along the Mackenzie Valley, such as Norman Wells and Inuvik, usually involves shipment by truck as far as Waterways in northern Alberta, transshipment of the goods to barges and then transport along the river to points north of the provincial boundary. For goods being shipped from Vancouver to the Yukon, the transshipment process is reversed and goods are delivered to Skagway by water, transferred to the White Pass and Yukon Railway and then transshipped by rail to the line's terminus at Whitehorse. From there goods are subsequently transshipped by truck to a number of points throughout the Yukon and northern British Columbia.

One final measure of relative importance used in this survey relates to the physical weight of the shipments of goods between northern wholesalers and their customers. Table 58 summarizes the responses to this part of the survey questionnaire, and illustrates that the average weight of shipments by northern wholesalers varies considerably, distributed pretty evenly in all selected weight categories. Once again the

Table 58

Shipments of Northern Wholesale Firms, by Weight

| Weight of Shipment (Tons) | Number of Establishments | Per Cent of Total Establishments |
|---|---|---|
| 1 - 49 | 5 | 12.2 |
| 50 - 199 | 3 | 7.3 |
| 200 - 799 | 6 | 14.6 |
| 800 - 3199 | 5 | 12.2 |
| 3200 or more | 5 | 12.2 |
| TOTAL | 24 | 100.0 |

Source: Questionnaire Survey.

reader is warned to exercise caution in interpreting these results, because on the whole they represent only 58 percent of the sample survey and many firms dealing in heavy commodities, such as machinery, equipment, fuel and other industrial supplies, failed to answer this part of the survey. Non-response to this aspect of the survey stems primarily from the problems associated with attempting to make an accurate assessment of the physical volume of goods shipped, particularly where records are kept only for the dollar value of shipments, and not physical weight.

Competition and Market Penetration - A Northern Perspective

Many of the reasons cited by northern wholesalers for penetration of their markets by firms based in Vancouver, Winnipeg and Calgary are similar to those expressed by Edmonton wholesalers in a previous section of this report. From the standpoint of the northern wholesaler, four interrelated forces are at work which have resulted in increased competition from wholesalers based in these three cities: high-pressure

salesmanship combined with aggressive sales promotion; better prices and special concessions; lower transportation costs from Vancouver (via the White Pass and Yukon Route); and affiliations with head office locations. More than once during the fieldwork for this survey it was heard that the willingness by Vancouver firms to use travelling salesmen who regularly canvass the trade was a significant factor contributing to shifts in supplier allegiance, and subsequent increases in the share of the market for firms based in Vancouver, Calgary and to some extent Winnipeg. By far the most serious competition stems from wholesaling operations based in Vancouver, where lower freight rates and costs of transportation give firms an advantage for serving many areas in the Yukon and even parts of northern Alberta. One Grande Prairie wholesaler, interviewed during the fieldwork conducted for this survey, commented that he was able to procure his supply of goods faster, with better service and at less cost from Vancouver distributors than from his Edmonton suppliers. Mining and oil company head office locations in Vancouver and Calgary also tend to draw some trade in these directions, based primarily on buying practices of companies using head office purchasing organizations. Another reason for wholesale links with Vancouver cited by several establishments in the sample relates to the larger stock of goods available from this location. Several firms pointed out that there was greater product variety and hence wider selection of alternative products. Others stated that for some products, Vancouver was the only source of supply. Better access to some market areas, particularly the Yukon, was another explanation posited by northern wholesaling firms. Better access via the White Pass Yukon Route into the Yukon and the use of company owned aircraft to fly

supplies into remote areas were two examples cited in the survey as ways in which Vancouver wholesalers had an advantage over locally based operations or branches of parent companies located in Edmonton. And finally, it was pointed out that much of the increased competition from Vancouver-based wholesaling firms stemmed from natural market growth and spillover from northern British Columbia markets already being served by Vancouver wholesale distributors.

## An Analysis of the Demand for Wholesaling in the Marketing Organization of the North

In addition to surveying a sample of northern wholesaling establishments, fieldwork for this project involved a survey sample of users of wholesale goods from each of the principal economic sectors identified in the Standard Industrial Classification Manual. A ten per cent random sample was selected from each of the major economic sectors, as they were represented in each community; including agriculture, forestry and fisheries, mining, construction, manufacturing, transportation and communication, retail trade, finance, insurance and real estate, services, and government. The nature and size of the populations and samples surveyed in each community are summarized in Appendix H. Table 3 includes the responses to the user survey. The questionnaire format used to survey the non-wholesaling establishments in each community was kept very brief, and was designed to elicit information concerning the nature of the user enterprise, the sector from which it purchased its supplies, the geographic location of its suppliers, and about some of the problems regarding procurement of these supplies (Appendix E).

Whereas the two previous surveys of wholesale trade focussed on the supply side of wholesale distribution in the North, Part II of the Northern Alberta Wholesale Trade Survey was designed to focus attention on its demand dimensions. Therefore, the purpose of this section of the report is to analyse selected aspects of user demand for wholesale goods and services in the North, and to delineate the nature and extent of the linkages between user enterprises and various suppliers serving the northern markets.

The majority of the survey sample of 157 users enterprises reported having their strongest supply links with wholesale distributors. In fact 83.4 per cent of the sample survey reported purchasing an average of approximately 75 per cent of their stock of merchandise from wholesale establishments. Forty-five user firms or 38.1 per cent of those indicating linkages to wholesalers, stated that they purchased nearly their entire stock of goods through wholesale distributors. Less than a quarter of the respondents reported doing any less than 5 per cent of their stock purchases with wholesaling firms. Cross tabulation of the types of suppliers by kinds of user businesses shows that except for the Agriculture, Forestry and Fisheries sector and the Finance, Insurance and Real Estate sector, over 80 per cent of the samples of economic sectors surveyed in this study reported having some supply linkages with wholesalers (Table 59). Almost half the sample of retailers reported purchasing between 96 and 100 per cent of their stock of merchandise from wholesaling outlets. Ninety per cent of the retailers surveyed indicated some degree of linkage with wholesalers. Other strong linkages were observed between the Service sector and wholesale suppliers, with 100 per cent of the survey sample indicating some connection with

wholesalers, and over half purchasing more than 95 per cent of their stock from this one source.

In terms of the number of user enterprises indicating linkages to their various sources of supply, retail supply links rank second in importance after wholesale supply linkages. Forty-one per cent of the sample identified supply links to retail distributors. The average purchase of stock from retailers for these firms was somewhere between 25 and 30 per cent. About 40 per cent of the purchases from retailers accounted for less than 5 per cent of a firm's total value of stock intake. As Table 59 illustrates, no one particular type of user enterprise appears to purchase the bulk of its stock from this one source.

About one-third of the sample of user businesses purchased some portion of their total stock directly from manufacturing plants. For the sample survey, the average purchase amounted to between 40 and 45 per cent of a firm's total stock intake. Just over 25 per cent of the sample, with links to manufacturers, indicated purchasing less than 10 per cent of their goods in this way.

Other sources of supply identified by user establishments in the North included government and head office purchasing organizations. The mean value of purchases from government was 35 per cent, with almost half of the respondents doing less than 5 per cent of their purchases with this sector. On the other hand, for firms with connections to head office buying organizations, particularly in the Finance, Insurance and Real Estate sector, the average linkage accounted for between 70 and 75 per cent of their total purchases. Over half the respondents indicating these head office affiliations reported purchasing between 96 and 100 per cent of their total stock of merchandise from this one particular

Table 59

Distribution of Suppliers by Economic Sector,
Northern Alberta, the Yukon and the Northwest Territories

| Economic Sector | Type of Supplier | | | | |
|---|---|---|---|---|---|
| | Wholesale | Retail | Manufacturing | Government | Other |
| Agriculture, Forestry and Fishing | 2 | 1 | 2 | - | - |
| Mining | 8 | 7 | 5 | 1 | 1 |
| Construction | 17 | 13 | 6 | 1 | - |
| Manufacturing | 8 | 4 | 4 | - | 1 |
| Transportation and Communication | 12 | 8 | 3 | - | 1 |
| Retail Trade | 43 | 8 | 22 | 2 | 1 |
| Finance, Insurance and Real Estate | 5 | 6 | 1 | - | 5 |
| Services | 16 | 7 | 4 | 2 | 1 |
| Government | 7 | 5 | 2 | 4 | - |
| TOTAL | 118 | 59 | 49 | 10 | 10 |

Source: Questionnaire Survey.

source. Table 60 summarizes the percentage distribution of responses by user enterprises regarding their various sources of supply.

Approximately three-quarters of the sample survey purchased their supplies from wholesalers located in Edmonton. On the average, purchases from this location account for between 55 and 60 per cent of their total input. About one-third of those purchasing supplies from Edmonton, buy more than 85 per cent of their supplies from this location, with 15 firms purchasing more than 95 per cent.

About one-third of the sample of user businesses reported purchasing wholesale goods in Vancouver, with the average purchase amounting to approximately 30 per cent of their total intake. For those firms buying supplies in Vancouver, about 25 per cent purchase less than 5 per cent of their supplies from this one source. Just over a quarter of the sample do business with Calgary, and nearly 30 per cent indicate linkages to wholesalers elsewhere in Alberta.

The Toronto area also has fairly strong supply linkages to the North, with about 25 per cent of the sample indicating some degree of connection with this centre. The mean value of purchases from this area amounts to about 25 per cent of total purchases. Over 40 per cent, however, do less than 5 percent of their business with Toronto wholesaling establishments.

Wholesale linkages were also traced to Winnipeg and Montreal, but the strength of these links are comparatively weak. Similarly, some user enterprises maintain supply links directly to the United States, by-passing local intermediaries in the Canadian marketing organization. Supply links between oil companies in the North and wholesalers in the U.S. is one area where these type of direct linkages are common and in

Table 60

Percentage of Purchases by Northern User Enterprises, by Economic Sector

| Economic Sector | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Wholesale | 0.7 | 1.4 | - | 6.3 | 2.1 | 3.5 | 0.7 | 0.7 | - | 3.5 | 0.7 | 2.8 | 0.7 | 4.2 | 3.5 | 9.1 | 3.5 | 4.2 | 3.5 | 31.5 |
| Retail | 16.8 | 3.5 | 2.1 | 5.6 | 3.5 | 0.7 | - | 0.7 | 0.7 | - | - | 0.7 | - | 0.7 | 2.1 | 0.7 | - | - | - | 3.5 |
| Manufacturing | 2.1 | 7.0 | 2.1 | 4.2 | 0.7 | 2.1 | - | 1.4 | 0.7 | 2.8 | - | 0.7 | - | 2.1 | 2.1 | 1.4 | - | 1.4 | - | 3.5 |
| Government | 2.8 | 0.7 | - | 0.7 | - | - | - | 1 | - | 0.7 | - | - | - | - | 1.4 | - | - | - | - | 0.7 |
| Other (Head Office) | - | 2.1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1.4 | 3.5 |
| Other (Local Purchases) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0.7 |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 21-25%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 = 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

aggregate can amount to a significant portion of the firm's yearly intake of stock. Table 61 summarizes the survey response to the question regarding the location of wholesale suppliers for northern user industries.

Results of this survey tend to suggest that proximity to source of supply is an important locational consideration of user enterprises in the North. As Table 61 illustrates, the majority of supplies are purchased in Edmonton, with Calgary, Vancouver, and the rest of Alberta accounting for the bulk of the remainder. Supply links have been traced to sources of supply all over Canada and the United States, but on the whole, most supplies are purchased from firms located near the customer. When directly asked the relevance of locational proximity to source of supply, 80.3 per cent of the respondents stated that being close to their source of supply was either "important" (28.7%) or "very important" (51.6%). Less than 20 per cent of the sample stated that proximity to supply was not an important consideration.

In addition to geographic proximity, special consideration by local suppliers in the form of price concessions is another factor favouring the use of local suppliers as opposed to more distant sources of supply. The special considerations given users of local wholesalers usually take the form of price discounts, including discounts on early payments and price discounts on large volume purchases. Other considerations are given with respect to transportation of the merchandise, usually in the form of freight allowances or prepaid shipments.

Table 61

Percentage Distribution of Wholesale Purchases by Northern User Enterprises, by Location

| Location | Percentage in each Category[1] | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| Edmonton | 7.7 | 5.6 | - | 4.9 | 2.1 | 3.5 | 0.7 | 3.5 | - | 4.2 | - | 4.2 | 2.8 | 4.2 | 4.2 | 5.6 | 0.7 | 9.1 | 2.8 | 10.5 |
| Calgary | 7.7 | 7.7 | 2.1 | 3.5 | - | 2.1 | 0.7 | 0.7 | - | 0.7 | - | - | - | - | 0.7 | 0.7 | - | - | - | - |
| Rest of Alberta | 7.0 | 5.6 | 2.1 | 2.8 | 0.7 | 0.7 | 0.7 | 2.1 | - | 2.1 | - | 0.7 | - | - | - | 1.4 | - | 0.7 | 1.4 | 1.4 |
| Vancouver | 7.0 | 5.6 | 0.7 | 4.2 | 2.1 | 1.4 | - | 2.8 | - | 2.8 | 0.7 | - | - | - | 0.7 | - | - | - | 0.7 | 1.4 |
| Rest of British Columbia | 1.4 | 2.1 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Saskatchewan | - | - | 0.7 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Winnipeg | 5.6 | 4.2 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | 0.7 | - | - | - | 0.7 |
| Rest of Manitoba | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Toronto | 11.2 | 4.9 | 0.7 | 1.4 | - | 2.1 | 0.7 | 0.7 | - | 1.4 | - | - | - | - | 0.7 | - | 0.7 | - | 0.7 | 1.4 |
| Rest of Ontario | 5.6 | 2.1 | - | 0.7 | - | - | - | - | - | 0.7 | - | - | - | - | - | 0.7 | - | - | - | - |
| Montreal | 6.3 | 7.0 | - | 1.4 | 0.7 | - | - | 0.7 | - | 0.7 | - | 0.7 | - | - | - | - | - | - | - | - |
| Rest of Quebec | 2.8 | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Maritimes | - | - | - | 0.7 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| United States | 2.1 | 2.1 | - | 0.7 | - | - | - | - | - | 0.7 | - | 0.7 | - | - | - | - | - | - | - | - |
| Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Whitehorse | 0.7 | 0.7 | - | - | - | - | - | - | - | 0.7 | - | - | - | 0.7 | 0.7 | - | - | - | 0.7 | 1.4 |
| Northwest Territories | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1.4 |

[1] Where 1 = 1-5%; 2 = 6-10%; 3 = 11-15%; 4 = 16-20%; 5 = 21-25%; 6 = 26-30%; 7 = 31-35%; 8 = 36-40%; 9 = 41-45%; 10 = 46-50%; 11 = 51-55%; 12 = 56-60%; 13 = 61-65%; 14 = 66-70%; 15 - 71-75%; 16 = 76-80%; 17 = 81-85%; 18 = 86-90%; 19 = 91-95%; 20 = 96-100%.

Source: Questionnaire Survey.

## Summary and Conclusions

Analysis of the wholesaling structure of the City of Edmonton and northern Alberta, the Yukon and the Northwest Territories has confirmed the strategic position of wholesaling in the marketing organization of a region. In this section of the study it has been shown conclusively that wholesale marketing is a necessary part of a region's marketing organization and that its primary function is to bridge the gap between various levels of producers at one end, and the various types of users at the other. The bridging of this gap between producer and consumer has been shown as a series of complex linkages, which regulate the physical flow of goods and services in and out of regions, both with respect to quantities and qualities, in terms of spatial allocations, locating potential users, or intermediate users in the form of middlemen, and convincing them to buy, of establishing prices at which the exchanges may take place, and of feeding back information to guide market planning. These diverse marketing functions have been analysed in detail and the results have been presented in this section of the study.

Analysis of the wholesale linkages between Edmonton wholesaling firms and northern customers, has shown that Edmonton has strong links with many northern communities, and with Grande Prairie and Peace River in particular. For example, almost half the survey sample of wholesaling establishments did some business with Grande Prairie in 1974-75. Other strong wholesale linkages were shown between Edmonton and Edson, Whitecourt and St. Paul. Although linkages are strong, however, the number of actual branch outlets in each community is relatively small.

In this section of the study it also was shown how the wholesaling structure of Edmonton reflected the primary and secondary industrial structure of the North, with the bulk of Edmonton's northern sales being directed towards firms most directly involved in the regional economic development of the North—mineral resource extraction, retailing and other wholesaling.

In addition to the nature and extent of the wholesale linkages from Edmonton to the North, the direct and semi-direct wholesale linkages originating within the northern communities were also analysed. In general, analysis has shown that the majority of northern wholesaling establishments do the greatest proportion of their business in their local markets, with only an insignificant amount being distributed elsewhere in the North. Only for Grande Prairie and Whitehorse are there forward wholesale linkages of any significance. The survey of backward linkages from northern wholesalers and the northern users of wholesale goods confirmed the importance of the gateway distribution function of Edmonton for the North.

Discussion in this section of the study has also focussed attention on the problems stemming from outside competition to Edmonton-based wholesaling operations, particularly from its chief competitor Vancouver. Some of the possible reasons for the observed market penetration have been postulated in this section.

It is the purpose of the next section of this study to consider the various problems and potentials associated with wholesale marketing in the North, first from the perspective of the Edmonton wholesaling structure and then from the viewpoint of northern wholesalers and user enterprises linked to Edmonton wholesaling establishments. Discussion

in the following chapter results primarily from comments made by the respondents during the fieldwork for this project.

# CHAPTER V

## PROBLEMS AND POTENTIALS

The following chapter represents a synthesis of comments made by wholesalers regarding various aspects of the problems facing them in selling and distributing goods in the North, with particular attention focussed on transportation related problems. The ways in which wholesaling activity in the North may be increased and the marketing organization serving this region may be made more efficient also are examined. The following section of the study has been divided into three parts corresponding to the three surveys conducted for the purposes of this report.

### The Edmonton Wholesale Trade Survey

By far, the greatest problem facing Edmonton wholesalers serving northern markets relates to their primary facilitating linkage —transportation. Just over one-third of the sample survey indicated some type of transportation problem as the "main problem you see in selling and distributing your wholesale goods in the North". Specifically, the problem comes down to a question of costs. From the results of this survey, it would appear that transportation costs constitute the single greatest problem facing wholesaling establishments in the distribution of their products. The specific nature of the problem, however, varied greatly among respondents.

Most Edmonton wholesalers agree that time costs are the most serious problem associated with the transportation facilitating linkages. Poor schedules, the seasonality of some forms of transportation, particularly barge transport in the Northwest Territories, and the time

factor associated with the great distances characteristic of the North, are but a few of the problems pointed out by respondents concerning time costs and transportation. Essentially it is a problem of distance, combined with the size and sparseness of the market population.

A second complaint common among Edmonton wholesaling establishments relates to the high freight rates faced by most distributors serving the vast northern market. Although most businessmen complain generally about high freight rates, many were quick to point out the discrimination against small lot shipments by regulations on some carriers regarding minimum volume orders. In order to provide customers with same-day or at minimum, 24-hour service, the distributor must often pay higher rates for small shipments than if the cargo were transferred over the same distance as a part of a large shipment.

Damage to goods being shipped is another common complaint among wholesalers in Edmonton. Shipping damage to wholesale goods represents a real cost to the supplier, which he must either absorb himself, or pass on to his customer. Either way, someone in the marketing organization is bound to lose. Other transportation problems identified in the survey related to the structure of the transport system itself, and primarily to the lack of alternative modes to most market centres. The high cost of air freight to the North and the related costs of transshipment are other areas of concern to wholesalers distributing products throughout the North. The lack of roads for highway transport also was singled out by respondents as a problem warranting attention in the very near future. Combining all responses to the broad question of transportation costs and problems related to its structure, it is possible to conclude that from the standpoint of

Edmonton businessmen the question is not so much one of quantity, but rather one of quality. In other words, what is needed here is not 'more' transport services, but 'better' transport services. The unreliability of carriers and the poor quality of service characteristic of the transport industry in Alberta must be improved if the wholesale marketing organization of the North is to operate efficiently.

In addition to transportation problems, two other problems connected with distance were identified by a number of the respondents in the survey. These are the interrelated problems of communication and control. In the marketing organization communication between buyer and seller is critical if the market place is to operate efficiently. One of the main problems faced by Edmonton wholesalers in this regard is the difficulty associated with making contact with potential customers, at the "right time". If contact is made then there are the problems associated with maintaining this contact on a personal basis and hence in "keeping in touch with one's market." Distance and difficult access also complicate the matter of control in northern markets, particularly with respect to collecting receivables, extending credit, timing marketing programs, and the costs of servicing accounts. Other costs related to selling and serving the northern market on a regular basis involve the many costs of maintaining sales representatives in the North.

Lack of dealers and branch outlets in the North were cited as problems faced by several types of wholesaling establishments. One of the primary reasons for the observed lacked of branch outlets in communities relates to the perceived instability of the northern market. Many wholesalers pointed out that there were simply insufficient sales volume in the North to offset the increased marketing costs of maintaining a

branch outlet. Physical distribution and storage problems were also associated with this lack of branch plant expansion among Edmonton wholesaling establishments. It was also pointed out by some specialized wholesaling operations that in the North there simply was not the demand from secondary related industries (such as manufacturing, construction, and the like) to warrant establishing a branch outlet, and that in many cases this problem was compounded by the lack of certain specialized facilities related to the nature of the firm's product line. Again, the problem is basically one of market costs versus potential volume of northern sales.

Finally, there is the perennial problem of labour, both in terms of its quantity and in terms of its quality. In a previous discussion of the employment characteristics of the Edmonton wholesaling structure, it was pointed out that many firms considered labour problems by far the most serious condition affecting their business today. The problems of finding skilled labour and retaining good personnel are two of the most critical issues facing the northern business in terms of its ability to growth and expand as the market demands.

When asked to suggest ways in which the wholesaling activity of Edmonton could be increased, again the problem of transportation arose. In order to improve wholesaling service to the North, it is necessary to improve the 'quality' of the existing transportation structure. Lowering freight rates to make them competitive with those in British Columbia and improving road conditions to the North, were two suggestions made by respondents in the sample survey. According to Edmonton wholesalers more year-round highways are necessary in order to eliminate such seasonality variables as ice bridges, winter roads and

the like. In addition to improving the efficiency of the present transport facilities, it was suggested that these carriers develop better packaging for northern shipments in an attempt to reduce the high costs of shipping damage associated with northern transportation.

Other suggestions included increasing sales representation in the North, opening more branch outlets and improving service to the market area. In other words, there is a recognized need to improve communication with customers, to increase contact and provide them with better technical advice and service. Essentially what is required is increased sales promotional work among Edmonton wholesaling establishments in order to assure themselves of a substantial share of a rapidly increasing market. On the other hand, businessmen also feel that it is necessary to improve the image of the North, in order to make it a more popular place to do business. Some ways in which this could be done include increased contact between local marketing organizations, such as the Chamber of Commerce, promoting government sponsored trade shows and exhibitions and increased advertising and good will. It was also suggested that the government establish a central information office designed specifically to provide detailed information on northern development and marketing conditions in the North, so that Edmonton suppliers would have some reliable way of assessing market potentials, routing northern shipments and, in general, effectively serving this unique market area.

In addition to providing information to assist in northern market planning, it has been suggested by several wholesalers in the Edmonton area that government become actively involved in reducing transportation costs to the North, particularly in light of the advant-

age given Vancouver, which allows them to sell at discounted prices. In other words, there is a recognized need to link market development in the North to the regional economic development policies of government by means of improved information exchange.

In conclusion then, it is possible to suggest several areas of concern with respect to improving the efficiency of the present wholesale marketing organization in Edmonton. From the standpoint of the Edmonton businessmen the major constraints to increasing this City's share of the wholesaling market in the North are distance and access, communication and control, size and sparseness of the population, high transportation costs, costs of servicing the market area, including capital costs, and the problems associated with obtaining adequate labour. The main transportation problems facing the Edmonton distributor relate primarily to the high freight rates on less than full loads, the short shipping season by some modes, the lack of access to an ocean port, poor surface transport facilities, competition with water carriers on the west coast, and monopolies in the transport industries (i.e.; the lack of suitable alternatives). Costs of duplicating Edmonton services and the costs of maintaining the wide inventory of products needed in the North are additional considerations which must be taken into account in northern market planning. Poor business attitudes about the North must also be improved, as must the communication and level of understanding between industry and the various levels of government with respect to the long-term goals of regional economic development in the North.

The Northern Alberta Wholesale Trade Survey - Part I

As in the case of Edmonton wholesaling establishments, the problem of transportation costs ranks high among the difficulties facing northern wholesalers. Insufficient volume, lack of scheduled service, time delays, and limited service are but a few of the specific problems isolated in this survey. Inadequacies in north-south trucking routes, and poor transport facilities north of the Peace River area are other areas of concern to northern businessmen. Further north, particularly in Inuvik, dependence on high-cost air freight and the corresponding lack of suitable alternatives are problems which must be faced in serving these distant markets. Shipping damage due to carelessness by carrier and improper packaging by the shipper are even more serious problems for the northern wholesaler than was the case in the Edmonton survey.

In the North, where distances are great and access difficult, the problem of communication and control is even more apparent. Weather variables and the seasonality of demand are other factors which contribute to the overall difficulty of serving this rather unique wholesale market. Other problems facing the wholesaler distributor in the North include lack of adequate surface transportation (particular roads), warehouse and storage problems, and sparse population. Because of distance and access to sources of supply, supply shortages and resulting time delays are even more costly to the northern wholesaling establishment than perhaps for distributors located in larger metropolitan areas. Head office buying policies and competition from outside sources are additional problems cited by several northern wholesaling establishments. The problem of finding sufficient manpower and retaining skilled labour

is even more acute in the North because of the unwillingness of most to work under the extreme climatic conditions characteristic of the region.

## The Northern Alberta Wholesale Trade Survey - Part II

For the users of wholesale services in the North, the problems of supply are essentially problems of transportation. Time delays, causing downtime costs, due to supply shortages and inefficient transportation systems are the most often cited problem among firms in the survey sample. The unreliability of service and in many cases the lack of suitable alternatives combine to increase costs for northern businessmen. Lack of quality control which results in shipping damage, lost or mislaid shipments, lack of same-day service and the poor quality of most transport facilities are among the more common complaints expressed by northern businessmen in this survey. Labour problems in the transport industry also increase costs, as strikes necessitate costly forward-ordering to avoid shortages, and in general tend to disrupt sales projections and market planning. The high cost of truck and air transport in the North and the short availability of water transport (due to its seasonality) combine with the lack of roads to produce a situation in the North where the facilitating linkages of the wholesale marketing organization are increasing costs rather than bringing about a smooth flow of goods and services between regions. Many northern businessmen view this situation as a direct result of the monopoly situation which exists in many areas of the transportation system serving this vast and distant market.

In the survey of user industries it was asked in what ways the present service of the wholesaling industry could be improved. The

response was overwhelming, and the following list of suggestions represents a synthesis of the ideas posited by this group of northern businessmen. First, it is felt by several types of user enterprises that wholesalers and other suppliers could provide better service to their customers by maintaining larger inventories and carrying a wider product selection. Hopefully, this would in part eliminate some of the delivery delays and improve the processing of orders. In fact, it was suggested that ordering practices, in general, be improved by speeding up the processing of orders, complying with shipping instructions, and eliminating partially-filled orders. Improved inventory control based on calculated sales projections is another means of improved service suggested by users of wholesale suppliers.

Because many of the problems of marketing in the North stem from inadequacies in its facilitating linkages, it is not suprising to note that several ways of improving the present wholesale marketing system relate to improvements in the transportation system. Suggestions proffered by northern businessmen include improving roads to many northern communities, widening the availability of air freight services in smaller communities, improving the quality of the service, and improving shipping schedules so as to increase the number of shipping dates. For perishables and urgently needed commodities, one-day service and improved merchandise handling, such as special northern packaging, are considered minimum requirements for efficient marketing, and yet in many cases they are still not available.

At a broader level, results of this survey indicated that northern businessmen relying on outside suppliers felt a real need for these companies to become more familiar with the specific problems of

marketing in the North (its people and its geography). Many businesses expressed a need for improved communication between the supplier and his customers in the North. The benefits of face-to-face contact between suppliers and users in the North should not be underrated, as several northern businessmen expressed their willingness to change suppliers in the event that one was willing to send a salesman around to make personal contact with the individual businessman.

# CHAPTER VI

# ECONOMIC SIGNIFICANCE AND FUTURE ECONOMIC IMPACT

According to Revzan (1961, p. 22), wholesale marketing involves a significant amount of multiple handling and sales of goods and therefore any realistic measure of the importance of wholesaling must take into account both 'gross' and 'net' indices of importance. In previous sections of this study, gross measures of the importance of this sector to the economy were suggested in terms of the total value of wholesale trade in each community and the value of wholesale commodity flows between communities as specified in the linkage analysis. In this section of the study several measures of 'net' importance will be applied, including wholesale to retail sales and employment ratios. In order to determine the impact of wholesaling on community development in these northern regions, an attempt also will be made to correlate community size and its distance from Edmonton to its degree of dependency on Edmonton as its major source of supply.

## Economic Significance

In Table 62, the economic significance of wholesaling in each of the communities is suggested as a ratio of employment in wholesale trade to total employment and employment in retail trade. Assuming that these ratios for Edmonton are indicative of a centre with important involvement in wholesale trade, it is possible to use the ratios in Table 62 as crude measures of the relative importance of wholesaling in the economy of each centre. In 1971, wholesale trade in Edmonton accounted for 5.3 per cent of its total labour force, and as such was

Table 62

Employment in Wholesaling as a Percentage of Total and Retail Employment, 1971

| Location | Per Cent of Total Employment | Per Cent of Retail Employment |
|---|---|---|
| Grande Prairie | 6.1 | 44.0 |
| Peace River | 4.8 | 36.2 |
| St. Paul | 4.1 | 30.2 |
| Edson | 3.6 | 22.9 |
| Slave Lake | 2.7 | 30.8 |
| Whitecourt | 2.3 | 18.2 |
| Whitehorse | 3.5 | 34.6 |
| Yellowknife | 0.5 | 8.2 |
| Inuvik | 5.2 | 9.1 |

Source: Alberta Bureau of Statistics.

considered to constitute a significant portion of its economic base. The wholesale/retail employment ratio was 1:44.5. Using these two measures as guides, it is possible to suggest that except for Grande Prairie, the direct economic significance of wholesaling in each of these communities is relatively small. Inuvik appears to be the only exception, but in light of its role as the main distribution point for oilfield equipment and supplies for most Arctic exploration and drilling operations, it is not surprising to see its relative significance manifested in this way. The portion of total employment in Inuvik accounted for by the wholesale trade sector is very nearly the same as the ratio for the Edmonton employment structure. Being the only major source of supply located in the area, Inuvik has developed an important wholesale distribution structure which serves most of the upper Mac-

Kenzie River Valley.

The important point to be made here is that the economic significance of wholesale trade cannot be measured in terms of its direct impact on a community's economy. As previously stated, the wholesaling industry is characterized by small businesses in terms of employment. At the same time, however, it is quite possible for these firms to generate significant sales volumes. More importantly, however, is the economic significance generated by its indirect effects on each local economy. As shown in an earlier discussion in this report, over 80 per cent of all businesses in the North purchase the majority of their stock of goods through wholesale middlemen. The economic significance of these intermediaries in the marketing organization and the regional economy of the North, and in particular, northern Alberta, becomes readily apparent when viewed in terms of this indirect facilitating function.

Using wholesale to retail sales ratios as further indices of economic significance, it is possible to point out the dominance of Grande Prairie and Whitehorse as regional distribution centres. Table 63 contains the value of wholesale and retail sales and the calculated wholesale/retail sales ratio for each community. Expressed in this way, the economic significance of wholesale trade to each of these communities becomes more apparent. For the smaller communities which rely quite heavily on outside sources for their wholesale goods, values of less than 1.0 are observed, and for the two larger communities, which have well-developed wholesaling structures and are serving the needs of the population both in the centre and its region, the value of the ratio is greater than 1.0. The values of the ratios, while based on assump-

Table 63

Value of Wholesale to Retail Sales Ratios

| Location | Retail Sales ($) 1972 | Wholesale Sales ($) 1973 [1] | Ratio |
|---|---|---|---|
| Edmonton | 1,152,983,000 | 3,680,421,000 | 3.19 |
| Grande Prairie | 54,482,000 | 76,295,452 | 1.40 |
| Peace River | 19,696,000 | 4,700,000 | 0.24 |
| St. Paul | 15,567,000 | 8,391,608 | 0.54 |
| Edson | 11,014,000 | 2,930,403 | 0.27 |
| Slave Lake | 6,835,000 | 4,386,946 | 0.64 |
| Whitecourt | 7,723,000 | 200,000 | 0.26 |
| Whitehorse | 26,300,000[2] | 38,400,000 | 1.46 |
| Yellowknife | 33,600,000[3] | 10,125,000 | 0.30 |
| Inuvik | N/A | 5,354,667 | N/A |

[1] Data were not available from either Statistics Canada or Alberta Bureau of Statistics for 1971. It was therefore extrapolated from the Questionnaire Survey.

[2] Trade and Commerce, May, 1974. p. 36.

[3] Trade and Commerce, November, 1974, p. 33.

tions which are not strictly true, provide crude measures of the relative importance of the wholesaling sector in each community and its economic significance for the rest of the region. Based on these comparative measures the role of Slave Lake and St. Paul as secondary regional distribution centres becomes apparent. In the case of Slave Lake, as previously pointed out, the wholesaling structure stands out in the region because of its important role in supplying the mineral resource extraction industries in this regional market. For St. Paul, the wholesaling structure is strengthened by its linkages to the surrounding agricultural community.

Table 64

Dependency on Edmonton by Community Size and Distance from Edmonton

| Location | Population (1971) | Distance From Edmonton km. (miles) | Per Cent of Purchases by Wholesalers | Per Cent of Purchases by Retailers |
|---|---|---|---|---|
| Grande Prairie | 13,079 | 459 (285) | 60.9 | 63.0 |
| Peace River | 5,039 | 486 (302) | 66.3 | 54.3 |
| St. Paul | 4,161 | 212 (132) | 27.0 | 72.1 |
| Edson | 3,818 | 204 (127) | 76.3 | 66.5 |
| Whitecourt | 3,202 | 177 (110) | 100.0 | 70.3 |
| Slave Lake | 2,052 | 249 (155) | 76.7 | 71.8 |
| Fort McMurray | 6,847 | 443 (275) | 95.0[1] | 43.8 |
| Whitehorse | 11,217 | 1,567 (974)(air) | 42.5 | 30.2 |
| Yellowknife | 6,122 | 1,056 (656)(air) | 6.5[2] | 54.4 |
| Inuvik | 2,669 | 2,229 (1385)(air) | 50.0 | 62.4 |

[1] Based on only 2 returns.

[2] Based on only 2 returns, including one non-response.

Source: Questionnaire Survey.

Table 64 contains relative indices of dependency on Edmonton as a source of supply for wholesalers and retailers for each of the ten study settlements. As Table 64 illustrates, as community size increases dependency on Edmonton as a source of supply decreases, particularly for its retail establishments. Similarly, as distance from Edmonton increases, the percentage of goods purchased by wholesalers and retailers becomes less, indicating less dependency on this one source of supply.

In conclusion, it has been shown that the direct economic significance of wholesale trade is not a good indicator of its relative

importance to the regional economy. As these very crude measures have shown, its direct effects on the local and regional economy are small. It is only through interpretation of its indirect effects, as defined by the complex systems of linkages in which it operates, that the full economic significance of the wholesaling structure can be appreciated. Viewed in terms of its facilitating role in supplying and making possible the entire regional marketing organization, it has been shown that the wholesale structure of Edmonton and of the study settlements makes significant contributions to the regional economic development of the North. Based on population and market trends in retail trade, an attempt will now be made to project the future conomic impact of wholesaling on the regional economy of northern Alberta.

## Future Economic Impact

In the absence of available data from Statistics Canada and the Alberta Bureau of Statistics on the value of wholesale sales for northern communities, it was very difficult to project future levels of sales and employment. One crude solution was to construct population projections for 1976 and 1981 using an exponential curve projection (Table 65). This method was selected instead of more sophisticated methods including cohort survival, because of the extreme population changes being experienced by northern communities as a result of migration, which is very difficult to predict with any accuracy. Exponential curve projections assume that population increases at a geometric or ever-increasing rate. The establishment of populations for 1976 and 1981 in association with a retail employment/population ratio for 1971 allowed a retail employment figure to be projected for these years

Table 65

Population Projections

| Community | 1921 | 1931 | 1941 | 1951 | 1956 | 1961 | 1966 | 1971 | 1976 | 1981 |
|---|---|---|---|---|---|---|---|---|---|---|
| Grande Prairie | 1,061 | 1,464 | 1,724 | 2,664 | 6,302 | 8,352 | 11,417 | 13,079 | *20,284* | *31,457* |
| Peace River | 980 | 864 | 873 | 1,672 | 2,034 | 2,543 | 4,087 | 5,039 | *6,685* | *8,869* |
| St. Paul | 869 | 938 | 1,018 | 1,407 | 2,229 | 2,823 | 3,543 | 4,166 | *5,501* | *7,263* |
| Edson | 1,138 | 1,547 | 1,499 | 1,956 | 2,560 | 3,198 | 3,788 | 3,818 | *4,534* | *5,385* |
| Whitecourt | - | - | - | - | - | 1,054 | 2,279 | 3,202 | *5,711* | *10,187* |
| Slave Lake | - | - | - | - | - | 468 | 1,716 | 2,052 | *4,989* | *12,129* |
| Fort McMurray | - | - | - | 621 | 1,110 | 1,186 | 2,614 | 6,847 | *13,100* | *25,200* |
| Whitehorse | 331 | 541 | 754 | 2,594 | 2,570 | 5,031 | 4,771 | 11,217 | *17,520* | *27,365* |
| Yellowknife | - | - | - | 2,724 | 3,100 | 3,245 | 3,741 | 6,122 | *7,613* | *9,467* |
| Inuvik | - | - | - | - | - | 1,248 | 2,040 | 2,669 | *3,927* | *5,779* |
| TOTAL | 4,379 | 5,354 | 5,868 | 13,638 | 19,905 | 27,900 | 39,996 | 58,206 | *89,864* | *143,101* |

Source: Statistics Canada and Exponential Population Projections.

(Table 66). Using the wholesale to retail employment ratios from the 1971 Census data, the probable level of wholesale employment could then be determined for 1976 and 1981 (Table 66). Assumptions of course are linear population growth and also no variation in the retail employment/population or the wholesale/retail employment ratios.

Table 66 indicates that the communities of Grande Prairie and Whitehorse will have substantial employment in wholesaling in absolute numbers, albeit the retail trade sector is substantially a more important employer. Fort McMurray, Peace River, Slave Lake and St. Paul comprise second ranking wholesale employment centres, and Edson, Whitecourt and Yellowknife, third ranking communities.

In terms of future levels of wholesale sales, extrapolated totals using questionnaire survey data were used. Projections were made from 1973 to 1976 using the 19.3 per cent change in value of wholesale trade for small communities in Alberta from 1972 to 1973 published by the Alberta Bureau of Statistics.[1] Assuming such a rate of increase, produces substantial increases in wholesale trade by 1976, since the increases are compounded. Grande Prairie has the impressive total of $129.5 million, Fort McMurray of $19.1 million, St. Paul of $14.2 million, Whitehorse of $65.2 million, and Yellowknife of $17.1 million. Inuvik will have $9.1 million in wholesale sales. It is recognized that these projections may be too high in the light of the Survey of Executive Opinion by the Alberta Department of Industry and Commerce which had a forecast for 1974 of a 9.8 percent increase for wholesale trade.

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1 Alberta Bureau of Statistics, 1974, Alberta Statistical Review, March, p. 10.

Table 66

Projected Wholesale Employment

| Location | 1971 Population | 1971 Total Retail Employment | Retail Employment to Population Ratio | 1976 Projected Population | 1976 Projected Retail Edmployment | 1971 Wholesale to Retail Employment Ratio[1] | 1976 Projected Wholesale Employment | 1981 Projected Population | 1981 Projected Retail Employment | 1981 Projected Wholesale Employment |
|---|---|---|---|---|---|---|---|---|---|---|
| Grande Prairie | 13,079 | 785 | .06 | 20,284 | 1,217 | .44 | 535 | 31,457 | 1,887 | 830 |
| Peace River | 5,039 | 290 | .06 | 6,685 | 401 | .36 | 144 | 8,869 | 532 | 191 |
| St. Paul | 4,161 | 215 | .05 | 5,501 | 275 | .30 | 82 | 7,263 | 363 | 108 |
| Edson | 3,818 | 240 | .06 | 4,534 | 272 | .23 | 63 | 5,385 | 323 | 74 |
| Whitecourt | 3,202 | 165 | .05 | 5,711 | 285 | .18 | 51 | 10,187 | 509 | 91 |
| Slave Lake | 2,052 | 65 | .03 | 4,989 | 150 | .31 | 46 | 12,129 | 364 | 112 |
| Fort McMurray | 6,847 | 181 | .03 | 13,145 | 394 | .26 | 102 | 25,200 | 756 | 196 |
| Whitehorse | 11,217 | 520 | .05 | 17,520 | 876 | .35 | 307 | 27,365 | 1,368 | 479 |
| Yellowknife | 6,122 | 185 | .03 | 7,613 | 228 | .08 | 18 | 9,467 | 284 | 23 |
| Inuvik | 2,669 | 55 | .02 | 3,927 | 78 | .09 | 7 | 5,779 | 116 | 10 |
| TOTAL | 58,206 | 2,701 | | 89,909 | 4,176 | | 1,355 | 143,101 | 6,502 | 2,114 |

[1] Using the wholesale to retail employment ratio in the 1971 employment structure data for each community from Statistics Canada.

It is noted, however, that in the text of this survey, there was a comment on the lowness of this figure for 1974 compared with the 1972/73 rate of change which was 20.7 per cent and that a rate of 15 per cent was more appropriate. It should also be noted that this forecast was for the whole province and that smaller communities may experience a much higher rate of change particularly in northern areas where substantital resource development is occurring. The rate of 19.3 per cent may not be too unrealistic then in these circumstances. Table 67 gives the results of these sales projections.

Assuming that the wholesaling sector of a community produces sales outside the community, then it can be regarded as having a basic component in a basic:non-basic framework. However, because of the small employment characteristics of the sector, it is unlikely, despite the projected levels of wholesale employment, that the addition of new wholesale outlets to a northern community would generate a great increase in money circulation through the payment of wages and salaries. The wages and salaries as shown in Table 68, are in any case not very different from the average wage rates in other sectors. It has been found that Slave Lake has a basic:non-basic ratio of 1.2 (Mellor and Ironside, 1974). Applying this ratio to Grande Prairie, assuming that it is the same, and assuming a new wholesaling outlet with perhaps 6 people employed, and also for the sake of argument that all wholesale sales from it would be outside this community (i.e., export sales), there would be little spin-off effects in the non-basic sector of the community from these 6 people being employed. In itself, the wholesale sector is not a generator of substantial direct multiplier employment or income effects. Indirectly, however, it is a most important vehicle for

Table 67

Projected Wholesale Sales

| Community | Estimated Value of Wholesale Sales 1973 | Projections Using Alberta Percentage Change 1974 | 1975 | 1976 |
|---|---|---|---|---|
| Grande Prairie | 76,295,452 | 91,020,474 | 108,587,425 | 129,544,798 |
| Peace River | 4,700,000 | 5,607,100 | 6,689,270 | 7,980,299 |
| St. Paul | 8,391,608 | 10,011,188 | 11,943,347 | 14,248,412 |
| Edson | 2,930,403 | 3,495,970 | 4,170,692 | 4,975,635 |
| Whitecourt | 200,000 | 238,600 | 284,649 | 339,586 |
| Slave Lake | 4,386,946 | 5,233,626 | 6,243,715 | 7,448,752 |
| Fort McMurray | 11,263,736 | 13,437,637 | 16,031,101 | 19,125,103 |
| Whitehorse | 38,400,000 | 45,811,200 | 54,652,761 | 65,200,743 |
| Yellowknife | 10,125,000 | 12,079,125 | 14,410,396 | 17,191,602 |
| Inuvik | 5,354,667 | 6,388,117 | 7,621,023 | 9,091,880 |
| TOTAL | 162,047,736 | 193,323,017 | 230,634,341 | 275,146,773 |

[1] Extrapolated from Questionnaire Survey.

[2] Per cent change of Wholesale Trade 1972 - 1973 in Alberta. Small Communities was 19.3 per cent, Alberta Statistical Review.

facilitating economic development that directly creates new employment.

Table 68

Monthly Wage Rates for Common Wholesale Occupations[1], 1975

| Occupation | Telephone[2] Survey, 1975 Average Rate ($) | Range | Government Survey, 1973 Average ($) | 80% Range[3] |
|---|---|---|---|---|
| Secretary/ Stenographer | 608 | 400-840 | 544 | 450-645 |
| Warehouse Order Desk Clerk | 712 | 640-832 | 600 | 435-751 |
| Warehouseman | 697 | 400-1166 | 590 | 407-758 |
| Salesman | 1160 | 450-1600 | - | - |
| Driver (Light Truck) | 690 | 500-800 | 631 | 425-926 |

[1] There are several categories for each occupation reflecting skill and experience. This is a crude pricture of present rates.

[2] 36 returns were obtained from a telephone survey of approximately 100 wholesalers in the sample.

[3] Males only shown.

# CHAPTER VII

# CONCLUSIONS AND RECOMMENDATIONS

## Conclusions

Because each section of this study includes a summary of its findings and the conclusions based on its results, this chapter of the report will not attempt to present in detail the findings of the study. In order to facilitate conclusions based on the entire study, brief summary conclusions will be given for each of the four main sections of this study: the wholesaling structure of Edmonton and the North, the wholesale market survey and linkage analysis, the problems and potentials of wholesalers in the North, and the economic significance and future economic impact of wholesaling in the North.

### The Wholesaling Structure of Edmonton and the North

By analysing the structure of the wholesale trade of Edmonton and a number of selected northern communities, in terms of their types of establishments, their organizational characteristics, the kinds of markets in which they operate and the nature of their geographical distributions, it was possible to show that the wholesaling structure of the North is a highly complex system. This wholesaling structure is characterized by a great diversity of conditions in various industries and great variety in the types of products passing through the system. These complexities in the wholesaling structure give rise to highly varied types of wholesale establishments and kinds of middlemen operations, offering varying degrees of completeness of functions, of product assortments, of managerial control patterns, and of adaptation to the

geographical aspects of wholesaling. There was great diversity observed in the structure, both in terms of employment size and volume of sales.

Among the types of wholesaling establishments serving the northern markets, it was shown that the categories of wholesale enterprises which stood out in terms of the number of establishments, employment size and gross volume of sales were those firms most directly associated with economic and industrial development in the North, including the Machinery, Equipment and Supplies sector, the Motor Vehicles and Automotive Equipment sector, the Lumber and Construction Materials sector and the Petroleum and Petroleum Products sector. Other secondary sectors identified as being important in terms of their size characteristics, were the Drugs, Chemicals and Allied Products sector, the Groceries and Related Products sector, the Electrical Goods sector and the Hardware, and Plumbing and Heating Equipment and Supplies sector, all of which have obvious indirect links with developmental aspects of regional growth.

In addition to analysing the forms and functions of wholesaling establishments in Edmonton and the North, the section of the study dealing with the structure of wholesaling in these areas pointed out the degree to which backward and forward horizontal and vertical integration has occurred among wholesaling firms serving these northern markets. In conclusion, it was shown in this study that the organizations through which wholesale middlemen in Edmonton conduct their business represent a variety of sizes, affiliations, organizational forms and industry specialization.

Wholesale Market Survey and Linkage Analysis

In the market survey and linkage analysis of wholesale trade in Edmonton and the North the strategic position of wholesaling in the marketing organization of the region was confirmed. In this particular section of the study it was shown that the wholesaling structure is an integral part of the North's marketing organization and that its primary function is to bridge the gap between various levels of producers and consumers. The system of wholesaling linkages making up this structure was described as the "structural mucilage" which makes possible the intricate patterns of channel distribution, and ultimately the marketing organization itself.

The market survey and linkage analysis also shed some new light on Edmonton's "gateway" function, pointing out that the only meaningful way of interpreting this function was in terms of its northern perspective, that is, in terms of the demand for its wholesale service from northern user industries. Viewed from the outside looking in, the wholesaling structure of Edmonton becomes the linking vehicle by means of which the northern marketing organization takes place and becomes effective. It is in this sense, relative to the nature, size and extent of the northern markets, that the true nature of Edmonton's function as an 'unraveling point of trade' can be fully appreciated and its importance to northern development, fully understood.

The wholesaling linkages were also described in terms of their ability to regulate the physical flow of goods and services in and out of regions, both with respect to quantities and qualitites, in terms of spatial allocations, locating potential customers, or establishing wholesale prices, and of providing feedback for market planning. The

linkage analysis also pointed out the relationship between the wholesaling structure of Edmonton and the primary and secondary industrial structure of the North.

Discussion in this section concluded with a brief consideration of the question of competition and market penetration by Vancouver, and other non-Edmonton wholesaling firms. As the results of this survey have indicated, Vancouver wholesalers have been increasing their sales efforts in the North, particularly in the Whitehorse and the northwestern regions of Alberta, around Grande Prairie and Peace River. Although Edmonton will always possess certain locational and transportation affinities with northern Alberta and the Northwest Territories, it must be emphasized that user industries in the North bear no special loyalty to Edmonton wholesalers and that if offered a better deal from Vancouver distributors they will take it. With the prospects of a highway connecting Whitehorse and Inuvik, the marketing competition from Vancouver may increase, particularly in light of its natural geographic affinities with the Whitehorse region.

## Problems and Potentials

The section of the report dealing with the problems and potentials of wholesaling in the North was the result of a synthesis of comments, ideas and suggestions compiled during the fieldwork and from questionnaires in the mail survey of wholesaling establishments in Edmonton and the North. For the most part, the problems facing northern wholesalers and firms supplying the north were ones of transportation, communication and control, costs, and labour problems, and the ways suggested to improve service reflected the heavy emphasis placed on

transportation as the key to an efficient marketing organization.

## Economic Significance and Future Economic Impact

The final section of the study dealt with the relative economic significance of wholesaling and made some crude, but effective, projections of wholesale employment and sales, and possible multiplier effects using a basic:non-basic approach. The conclusions of this section were that the direct economic effects of wholesaling are limited, and that the full value of this sector to the regional economy can only be fully understood and appreciated in terms of its indirect facilitating effects, which make northern economic development possible and effective.

## Recommendations

As previously indicated, this study represents an exercise in applied economic geography, with relevance for policy formulation by government and private enterprise. For this reason, the study concludes with the following general recommendations for improved wholesale marketing in the North, with specific policy recommendations to improve the role of wholesaling in the regional economic development of the North.

## General Recommendations

1. In view of the strategic position of the wholesaling sector in the marketing organization of the Northern regions, *it is recommended that policies of regional economic development give serious consideration to its role in the development process.* Whereas past

emphasis has been placed on the role of transportation as the key to northern development, this aspect of regional growth should be viewed more as a facilitating linkage for the broader aspects of wholesale supply and distribution. In the opinion of this writer, long-term policies of northern regional economic development must consider the functions of wholesale trade as the linking vehicle in the marketing organization, through which the region's market takes place and becomes effective. Although the economic significance of this sector in terms of its direct generative effects on employment and income are weak, the importance of this sector as the facilitator of all economic growth cannot be over-emphasized. It is the wholesaling structure of the region which makes growth and development possible. It gives to the region its depth, variety and complexity of marketing organization. Every technological development of production which affects the volume and variety of goods must eventually be reflected in, and become magnified through the wholesaling sector.

2. In view of the nature of wholesale marketing within the Study Area, *it is recommended that government encourage wholesalers to improve the efficiency of the Edmonton wholesaling structure so that it can better serve the needs of regional economic development in the North.* It has become evident through this survey that the rapport between Edmonton wholesalers and northern businessmen could stand to be improved, and that in view of the increased competition from Vancouver, such a rapprochement cannot come too quickly. As comments by many northern businessmen suggest, they bear no special

allegiance to Edmonton suppliers and it has become apparent that they will make their purchases from the business that offers the best service for the least money. It is therefore extremely important that efforts be made to encourage Edmonton wholesalers to take steps to improve their service to northern customers. In this respect, it would appear to be the responsibility of the government to assist in improvements in the transportation systems facilitating the movements of wholesale goods in and out of the developing regions. Most importantly, it should be emphasized here that emphasis be placed on the "quality" of the service and not so much on "quantity". Edmonton will always possess certain locational affinities with northern Alberta and Yellowknife region, however lower freight rates from Vancouver via Whitehorse and the prospects of a highway connecting Inuvik to the Yukon are giving Vancouver a distinct advantage in serving the Yukon and northern British Columbia market. More importantly, however, is the fact the Vancouver suppliers are making inroads in the Grande Prairie-Peace River wholesale marketing region and that unless service is improved to these regions from Edmonton, there is nothing to stop northern businessmen from changing suppliers and the directions of their facilitating linkages.

3. It is the opinion of this writer that it is <u>not</u> feasible to establish alternative small scale wholesaling establisments or outlets in the North which would bypass the transshipment process of the intermediary in Edmonton. Although such a streamlining of the flow of wholesale goods and services might appear economically desirable,

present conditions in the wholesaling industry would make such a scheme impossible. Insufficient market potential (insufficient demand and sales volume), labour problems, problems of communication and control, transportation costs, and the costs of duplicating the Edmonton marketing structure, are but a few of the major constraints to developing such small scale outlets. Once again, *the need to improve the operating efficiency of the present marketing organization is affirmed. Emphasis should be placed on encouraging better use of existing facilities,* as in several instances there are cases where local wholesaling distributors, fully capable of serving the needs of the market, are being by-passed by large companies in favour of traditional supply links to the south, even across the border into the United States.

Policy Recommendations

1. To lower freight rates by direct competition, subsidy or by encouraging increased private enterprise in trucking.

2. To improve the quality of air transport through an assessment of air service to wholesalers bearing in mind the study's findings about northern complaints.

3. That the provincial government encourage the federal government to continue to undertake highway and bridge construction in the North-west Territories particularly with respect to the Mackenzie Valley route and the creation of an all-weather highway to Yellowknife and Inuvik.

4. To ensure, in consultation with regional and city planning authorities, that Grande Prairie, Whitehorse and Inuvik wholesalers in particular, because of their relatively large local and regional markets, have locations in industrial parks with good access to transportation facilities.

5. Encourage government institutions in the North to purchase from local wholesalers when practical and feasible.

6. That if there is any northern community to be encouraged to develop its wholesaling structure (despite the general recommendation that it is not feasible to use wholesaling outlets as a direct vehicle for regional development) it should be Grande Prairie, which has all important northern wholesaling sectors represented in its structure, including Machinery, Equipment and Supplies, Motor Vehicles and Automotive Equipment, Lumber and Construction Materials, Petroleum and Petroleum Products and Groceries and Related Products. En route linkages with the Yukon, the Northwest Territories and the remainder of Alberta make it a potentially useful transshipment location. As a growing central place in the south Peace River region, and the largest centre of the region, it easily ranks first as a community where a strong wholesaling sector would help to facilitate northern development.

7. That government agencies sponsor trade fairs in northern communities where Edmonton wholesale suppliers and northern users could communicate first hand on problems of supply and distribution.

8. That the provincial and federal governments investigate the possibility of employing more females throughout the wholesaling industry to overcome problems of labour supply and quality.

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# APPENDIX A

## STANDARD INDUSTRIAL CLASSIFICATION

## MAJOR GROUP 50 - WHOLESALE TRADE

### Motor Vehicles and Automotive Equipment

5012 Automobiles and Other Motor Vehicles

Establishments primarily engaged in the wholesale distribution of new and used passenger automobiles, trucks, and other motor vehicles. Automotive distributors primarily engaged in selling at retail to individual consumers for personal use, and also selling a limited amount of new and used passenger automobiles and trucks at wholesale to dealers are classified in Retail Trade, Industry 5511.

5013 Automotive Equipment

Establishments primarily engaged in the wholesale distribution of motor vehicle parts and accessories, and filling station and garage service equipment. Establishments primarily engaged in the wholesale distribution of tires and tubes are classified in Industry 5014.

5014 Tires and Tubes

Establishments primarily engaged in the wholesale distribution of rubber tires and tubes for passenger and commercial vehicles.

### Drugs, Chemicals and Allied Products

5022 Drugs, Drug Proprietaries and Druggists' Sundries

Establishments primarily engaged in the wholesale distribution of drugs, drug proprietaries, druggists' sundries, and toiletries. Establishments primarily engaged in the wholesale distribution of

surgical, dental, and hospital equipment are classified in Industry 5086.

5028 Paints and Varnishes

Establishments primarily engaged in the wholesale distribution of paints and varnishes, in paste or powder form or ready for use. Glass and wallpaper are frequently handled.

5029 Chemicals and Allied Products, Not Elsewhere Classified

Establishments primarily engaged in the wholesale distribution of chemicals and allied products, not elsewhere classified, such as acids, ammonia, industrial and heavy chemicals, dyestuffs, industrial salts, insecticides, naval stores, plastics materials, resin, and turpentine. Establishments primarily engaged in the wholesale distribution of ammunition, fireworks, and agricultural chemicals are classified in Industry 5099.

Piece Goods, Notions, Apparel

5033 Piece Goods (Woven Fabrics)

Establishments primarily engaged in the wholesale distribution of woven piece goods or yard goods of natural or man-made fibers. "Converters" who buy goods in the grey, have them finished on contract, and sell at wholesale are included here. This industry does not include establishments primarily engaged in the wholedsale distribution of home furnishings, which are classified in Industry 5097.

5034 Notions and Other Dry Goods

Establishments primarily engaged in the wholesale distribution of notions (sewing, hair, and shoe accessories, etc.), knit goods, and

other dry goods except piece goods.

5036 Men's and Boy's Clothing and Furnishings

Establishments primarily engaged in the wholesale distribution of men's and boys' apparel and furnishings, sportswear, hosiery, underwear, nightwear, and work clothing. Establishments primarily engaged in the wholesale distribution of shoes are classified in Industry 5039.

5037 Women's, Children's and Infants' Clothing and Accessories

Establishments primarily engaged in the wholesale distrubution of women's, childrens' and infants' clothing and accessories, including hosiery, lingerie, millinery and millinery supplies, and furs. Establishments primarily engaged in the wholesale distribution of shoes are classified in Industry 5039.

5039 Footwear

Establishments primarily engaged in the wholesale distribution of footwear of leather, rubber and other materials.

Groceries and Related Products

5041 Groceries, General Line

Establishments primarily engaged in the wholesale distribution of a general line of groceries. Establishments primarily engaged in roasting coffee, and establishments primarily engaged in blending tea or grinding and packaging spices, are classified in Major Group 20.

5042 Frozen Foods

Establishments primarily engaged in the wholesale distribution of packaged quick-frozen vegetables, juices, meats, fish, poultry, pastries and other "deep freeze" products. Establishments primarily

engaged in the wholesale distribution of frozen dairy products are classified in Industry 5043; and frozen poultry, fish and meat which are not packaged in Industries 5044, 5046, and 5047 respectively.

5043 Dairy Products

Establishments primarily engaged in the wholesale distribution of dairy products, such as butter, cheese, ice cream and ices, and fluid milk and cream. This industry does not include establishments primarily engaged in pasteurizing and bottling milk, which are classified in Group 202.

5044 Poultry and Poultry Products

Establishments primarily engaged in the wholesale distribution of poultry and poultry products, except canned and packaged frozen products. This industry does not include establishments primarily engaged in the killing and dressing of poultry, which are classified in Industry 2015. Establishments primarily engaged in the wholesale distribution of packaged frozen poultry are classified in Industry 5042, and of canned poultry in Industry 5049.

5045 Confectionery

Establishments primarily engaged in the wholesale distribution of confectionery, such as candy, chewing gum, fountain fruits, salted or roasted nuts, popcorn, and fountain syrups.

5046 Fish and Sea Foods

Establishments primarily engaged in the wholesale distribution (but not packaging) of fresh, cured, or frozen fish and sea foods, except canned (Industry 5049) or packaged frozen (Industry 5042). The preparation of fresh or frozen packaged fish and other sea food, and the

shucking and packing of fresh oysters in nonsealed containers, are classified in Industry 2036.

5047 Meats and Meat Products

Establishments primarily engaged in the wholesale distribution of fresh, cured, and processed (but not canned) meats and lard. Frozen packaged meats are classified in Industry 5042, and canned meats in Industry 5049.

5048 Fresh Fruits and Vegetables

Establishments primarily engaged in the wholesale distribution of fresh fruits and vegetables.

5049 Groceries and Related Products, Not Elsewhere Classified

Establishments primarily engaged in the wholesale distribution of groceries and related products, not elsewhere classified, such as bakery products, beverage concentrates, breakfast cereals, canned goods, green or roasted coffee, flour, fruit peel, oleomargarine, pickles, preserves, jams, jellies, sauces, spices, refined sugar, tea and yeast. Establishments primarily engaged in the wholesale distribution of soft drinks, and in bottling and distributing natural spring and mineral waters, are classified in this industry, but establishments primarily engaged in bottling soft drinks are classified in Major Group 20. This industry does not include farm products—raw materials (Group 505), or beer, wine, and distilled alcoholic beverages (Industry 5095).

Farm Product—Raw Materials

5052 Cotton

Establishments primarily engaged in buying and/or marketing

cotton and cotton linters.

5053 Grain

Establishments primarily engaged in buying and/or marketing grain (such as corn, wheat, oats, barley, and unpolished rice); dry beans; soybeans and other inedible beans. Country grain elevators primarily engaged in buying or receiving grain from farmers are included as well as terminal elevators and other merchants marketing grain.

5054 Livestock

Establishments primarily engaged in buying and/or marketing livestock, except horses and mules.

5059 Farm Products, Raw Materials, Not Elsewhere Classified

Establishments primarily engaged in marketing farm products, not elsewhere classified, such as horses and mules, leaf tobacco, hides, skins, furs, wool, mohair, raw silk, hops, and nuts, except roasted or salted (Industry 5045).

Electrical Goods

This group includes establishments primarily engaged in the wholesale distribution of electrical generating, distributing, and wiring equipment. It also includes household appliances whether electrically, manually, or mechanically powered, such as washing machines powered by gasoline motors and sewing machines powered manually. This group does not include electrical commercial and industrial machines (i.e., those in which electricity does the work directly, such as heating, turning a shaft, or ionizing a substance), or electrically powered commercial and industrial machines which are classified in Group 508.

5063 Electrical Aparatus and Equipment, Wiring Supplies and Construction Materials

Establishments primarily engaged in the wholesale distribution of electrical power equipment for the generation, transmission, or utilization of electric energy; and electrical construction materials for outside power transmission lines and for electrical systems. This industry does not include establishments primarily engaged in the wholesale distribution of radios, television sets, electric refrigerators, and other household electrical appliances which are classified in Industry 5064. Construction contractors primarily engaged in installing electrical systems and equipment from their own stock are classified in Industry 1731.

5064 Electrical Appliances, Television and Radio Sets

Establishments primarily engaged in the wholesale distribution of radio and television sets and household electrical appliances.

5065 Electronic Parts and Equipment

Establishments primarily engaged in the wholesale distribution of electronic parts and equipment, such as industrial and radio and television receiving and transmitting electronic tubes; electronic intercommunication equipment; radio parts and accessories; and electronic sound equipment, except radio and television receiving sets and phonographs (Industry 5064).

Hardware, and Plumbing and Heating Equipment and Supplies

5072 Hardware

Establishments primarily engaged in the wholesale distribution of hardware, except automobile hardware (Industry 5013).

5074 Plumbing and Heating Equipment and Supplies

Establishments primarily engaged in the wholesale distribution of plumbing and heating equipment and supplies to be installed in residential and commercial buildings. Construction contractors primarily engaged in installing plumbing and heating equipment from their own stock are classified in Industry 1711.

5077 Air Conditioning and Refrigeration Equipment and Supplies

Establishments primarily engaged in the wholesale distribution of air conditioning, refrigeration, and ventilating equipment and supplies, except household refrigerator and self-contained air conditioning units (Industry 5064). Construction contractors primarily engaged in installing air conditioning, ventilating, and refrigeration equipment from their own stock are classified in Industry 1711.

Machinery, Equipment, and Supplies

5081 Commercial Machines and Equipment

Establishments primarily engaged in selling at wholesale commercial machines and equipment, such as office, store and business machines and equipment; commercial food service equipment; and fountain and store fixtures.

5082 Construction and Mining Machinery and Equipment

Establishments primarily engaged in marketing cranes, excavating machinery and equipment, power shovels, road construction and maintenance machinery, tractor-mounting equipment and other specialized machinery and equipment used in the construction, mining and logging industries.

5083 Farm Machinery and Equipment

Establishments primarily engaged in the wholesale distribution of agricultural machinery and equipment for use in the preparation and maintenance of the soil, the planting and harvesting of crops, and other operations and processes pertaining to work on the farm; and dairy farm machinery and equipment. This industry does not include establishments engaged in the distribution of dairy products manufacturing machinery classified in Industry 5084.

5084 Industrial Machinery and Equipment

Establishments primarily engaged in marketing industrial machinery and equipment such as metal working tools, food industries machinery, oil well and oil refining machinery, industrial trucks and tractors (except over-the-road types), printing machinery, and machinery and equipment for other manufacturing industries.

5085 Industrial Supplies

Establishments primarily engaged in marketing industrial supplies, such as abrasives and materials, rope and cordage, and mechanical rubber goods; welding supplies; mechanical power transmission supplies, including bearings; industrial valves and fittings; metal containers; industrial leather; and reconditioned barrels and drums.

5086 Professional Equipment and Supplies

Establishments primarily engaged in the wholesale distribution of mechanical devices and other equipment used by architects, dentists, engineers, physicicans, surgeons, veterinarians, optometrists, osteopaths, and other professional groups.

5087 Equipment and Supplies for Service Establishments

Establishments primarily engaged in the wholesale distribution of equipment and supplies for barber shops, beauty parlors, power laundries, dry cleaning plants, upholsterers, undertakers, and related personal service establishments.

5088 Transportation Equipment and Supplies, Except Motor Vehicles

Establishments primarily engaged in the wholesale distribution of transportation equipment and supplies. Establishments primarily engaged in the wholesale distribution of motor vehicles and motor vehicle parts are classified in Group 501.

5089 Machinery, Equipment, and Supplies, Not Elsewhere Classified

Establishments primarily engaged in the wholesale distribution of machinery, equipment, and supplies, not elsewhere classified.

Metals and Minerals, Not Elsewhere Classified (5091)

Establishments primarily engaged in the wholesale distribution of coal and coke; ferrous and nonferrous metals (except precious metals, Industry 5099, and scrap, Industry 5093); and miscellaneous nonmetallic minerals (except petroleum (Industry 5092).

Petroleum and Petroleum Products (5092)

Establishments primarily engaged in the wholesale distribution of petroleum and petroleum products, including liquefied petroleum gas. The principal types of establishments included are petroleum bulk stations and terminals and wholesale LP gas terminals selling bulk liquid products. Also included are wholesale marketers of crude oil and packaged petroleum goods. Storage facilities for petroleum products

located at or near petroleum refineries are classified in Industry 2911.

Scrap and Waste Materials (5093)

Establishments primarily engaged in assembling, breaking up, sorting and wholesale distribution of scrap and waste materials. This industry includes auto wreckers engaged in dismantling automobiles for scrap. However, those engaged in dismantling cars for the purpose of selling secondhand parts at retail are classified in Industry 5933.

Tobacco and Its Products (5094)

Establishments primarily engaged in the wholesale distribution of tobacco and its products. Leaf tobacco wholesalers are classified in Industry 5059, and establishments primarily engaged in stemming and redrying tobacco in Industry 2141.

Beer, Wine, and Distilled Alcoholic Beverages (5095)

Establishments primarily engaged in the wholesale distribution of beer, wines, and distilled alcoholic beverages. Bottling of wines and other liquors manufactured in bulk by others is included.

Paper and Its Products (5096)

Establishments primarily engaged in the wholesale distribution of paper and its products, including stationary and kindred supplies, such as pens, pencils, and writing ink. This industry does not include wallpaper which is classified in Industry 5099.

Furniture and Home Furnishings (5097)

Establishments primarily engaged in the wholesale distribution of household and office furniture and home furnishings. Establishments primarily engaged in the wholesale distribution of electrical household

goods are classified in Industry 5064, and in the wholesale distribution of office machines and equipment in Industry 5081.

Lumber and Construction Materials (5098)

Establishments primarily engaged in the wholesale distribution of lumber and building materials, such as brick, building stone, cement, crushed stone, granite, gravel, lime, marble, masons' materials, plaster, window glass, roofing materials, and sand.

Miscellaneous Wholesalers, Not Elsewhere Classified (5099)

Establishments primarily engaged in the wholesale distribution of commodities not elsewhere classified, such as amusement and sporting goods, farm supplies, jewellery, flowers and nursery stock, rough timber products, leather and leather goods, yarn, animal and vegetable oils, books and magazines, crude rubber, wood pulp, and general merchandise.

Source: Standard Industrial Classification Manual, 1967, Executive Office of the President, Bureau of the Budget, Office of Statistical Standards.

# APPENDIX B

## CHARACTERISTICS OF WHOLESALE MIDDLEMEN

## CHARACTERISTICS OF WHOLESALE MIDDLEMEN

### A. Merchant Wholesalers

#### 1. Regular Wholesaler

(1) buy and sell in the domestic market

(2) take title to the goods they handle (assume the risks of ownership of inventory and receivables)

(3) sell through salesmen who canvas the trade regularly

(4) assemble goods from any sources of supply

(5) buy in large lots, sort and redistribute in smaller quantities

(6) maintain complete inventories of most items handled

(7) provide prompt delivery service

(8) provide financial assistance through the extension of credit

(9) guarantee goods and adjust complaints

(10) install, service and repair merchandise sold

(11) render advice and assistance (including new product information, inventory control, sales planning, pricing and store engineering)

(12) plan distribution of the manufacturer's product, advising on marketing problems and undertaking sales promotional work

(13) provides storage facilities for the manufacturer

2. Importer-Exporter

(a) Importer

(1) provide all services of a regular full-function merchant wholesaler (see Regular Wholesaler)

(2) purchase goods that are carried in inventory from foreign-based sources, which they resell on the domestic market

(b) Exporter

(1) provide all services of a regular full-function merchant wholesaler (see Regular Wholesaler)

(2) sell domestically produced goods to foreign-based buyers

3. Rack Jobber

(1) provide all services of a regular full-function merchant wholesaler (see Regular Wholesaler), plus some retailing functions

(2) deal in extensive lines of non-food merchandise

(3) specialize in one line of merchandise

(4) sell on a credit or consignment basis

(5) driver-salesmen regularly service accounts

(6) maintain their own display racks, seeing that they are adequately stocked, properly price-marked and arranged in an attractive manner

(7) replace unsold or slow-moving items

4. Cash-and-Carry Wholesaler

(1) operate on a cash basis

(2) do not extend credit

(3) do not deliver goods to their customers

(4) do not employ salesmen

(5) do little or no advertising

(6) merchandise lines are limited to fast-moving staples

(7) customers must travel to the warehouse, locate and assemble their orders, carry them to a central check-out station, and load their merchandise on their own cars or trucks

5. Drop Shipper or Desk Jobber

(1) do not take physical possession of the goods they sell

(2) take title to the merchandise they handle

(3) assume responsibility for the shipment from the time it leaves the manufacturer until it is delivered to their customer

(4) sell merchandise which is bulky and usually sold in car-load lots

(5) bear the risks and costs of credit extension and receiv_ ables collection

6. Truck or Wagon Jobber

(1) specialize in high-margin specialty items or quick-turn-over perishables

(2) employ driver-salesmen who regularly call on the trade

(3) sales, deliveries and receivables collection are performed simultaneously

(4) usually operate on a cash basis, but may extend short-term credit.

7. Mail-order Wholesaler

(1) all business, or a major portion of it, is conducted by mail order

(2) rely on mail-order catalogues to generate sales

(3) customers must take the initiative in ordering the goods and then await their delivery

8. Industrial Distributor

(1) perform all services of a regular full-function wholesaler (see Regular Wholesaler)

(2) specialize in the buying and selling of industrial goods

(3) sell primarily to industrial and other business users, rather than retail outlets

(4) customers purchase goods for consumption, use within their business or as an unfinished product subject to further processing

(5) often represent only one manufacturer and do not carry products of competing manufacturers

(6) specialize in servicing only one industry segment

(7) act as purchasing agents for their industrial users

(8) provide a competent sales force to customers who might not otherwise have access to such salesmen

(9) provide storage facilities for manufacturers

9. Mill Supply House

(1) perform all services of an industrial distributor (see Industrial Distributor)

(2) maintain an extremely large and varied inventory of industrial goods

(3) often carry items from competing manufacturers

10. Converter

(1) found principally in the textile industry

(2) convert grey goods into patterns and colours

(3) dye and cut the cloth or contract to have it done

11. Chain Store Buying Office or Warehouse

(1) perform all services of a regular full-function wholesaler (see Regular Wholesaler)

(2) accounting records for all retail units of the chain in the territory covered by the warehouse are handled in the warehouse

12. Wholesaler or Retailer-Sponsored Buying-Pool Cooperative Chain

(1) engage in large-scale buying for the chains

(2) provide cooperative advertising materials

(3) promote private brands of merchandise

(4) provide warehouse storage facilities

(5) provide delivery services

(6) provide merchandise planning and other services, including store lay-out assistance and store management and control helps

B. Manufacturers' Sales Outlets

(a) Sales Branch

(1) maintained apart from the firm's main plant and operate as separate establishments

(2) maintain facilities for the physical storage, handling and delivery of at least a portion of the merchandise sold

(3) install, maintain and repair merchandise sold

(4) occasionally engage in leasing or renting equipment

(b) Sales Office

(1) maintained apart from the firm's main plant and operate as separate establishments

(2) do not carry stocks of merchandise sold

C. Merchandise Agents or Brokers

1. Broker

(1) represent either buyers or sellers in a sales transaction

(2) negotiate and facilitate purchase and sales for others

(3) do not take title to the merchandise involved in the transaction (bear no risks of ownership)

(4) do not have the authority to complete a transaction without confirmation of their principals

(5) do not take physical possession of merchandise sold

(6) do not receive payment for merchandise directly

(7) receive renumeration by commission or fee

(8) receive no renumeration until transaction is completed

(9) provide an array of promotional aids and kindred services, such as planning their client's product distribution, developing promotional strategy, setting product specifications, deciding on package design, collecting credit information, builing attractive displays, locating merchandise sources and conducting market research

2. Commission Merchant

(1) engaged for a single transaction (usually to facilitate disposal of a particular lot of goods)

(2) take posession but not title of the merchandise sold

(3) engage in physical handling functions

(4) provide warehousing facilities (may sort, grade and repack client's merchandise)

(5) empowered with considerable freedom to negotiate prices and complete transactions without their principal's confirmation

(6) may extend credit at their own risk

(7) engage in receivables collection

(8) paid on a commission basis

3. Purchasing Agent

(1) represent only buyers

(2) maintain long-term relationships with their clients

(3) procure merchandise for their principals on a commission or fee basis

(4) may take physical possession of merchandise sold (receive, inspect, warehouse and ship to clients)

(5) may extend credit

(6) merchandise quality, quantities and terms of sale are closely controlled by the principal

4. Selling or Sales Agent

(1) contracted on a commission basis to sell the entire output of their client

(2) handle the output of several producers of allied but not competing items

(3) maintain long-term relationships with their clients

(4) operate without territorial limitations

(5) enjoy considerable freedom to negotiate prices, terms and conditions of sale

(6) render financial aid both to their principals and customers

(7) assist in merchandising and product development

5. Manufacturers' Agent

(1) represent two or more manufacturers of related but non-competitive lines

(2) sell in a limited geographical territory

(3) maintain long-term relationships with their clients

(4) do not handle the entire output of their clients

(5) have little authority over prices and terms of sale

(6) assist in sales planning and product development

(7) provide various marketing services, including promotional programs, cooperative advertising, trade shows and exhibits and marketing information

(8) provide warehousing facilities and make deliveries of goods

(9) may carry stocks of merchandise handled

6. Export-Import Agent

(1) export agents specialize in the procurement of domestic goods for foreign buyers and/or accept goods on consignment from domestic firms for sale on foreign markets

(2) import agents represent foreign sellers in the domestic market and/or domestic firms buying foreign goods

(3) provide current information concerning domestic and foreign markets

(4) attend to customs formalities, such as duties, consular fees, legal documents, invoices, and tariff laws

(5) ensure proper packaging and routing of shipments

(6) provide insurance services to their clients

7. Auction Company

(1) specialize in negotiating sales of specific lots of goods through the auction method

(2) goods sold on the basis of bona fide competitive bidding

(3) take possession but not title to the goods they sell

(4) arrange displays, prepare catalogues, conduct the auction, and collect the proceeds of the sale

(5) may provide warehouse storage facilities and make deliveries of goods sold

(6) may extend credit at their own risk

(7) handle merchandise on a commission or fee basis

8. Resident Buying Office

(1) integrated with department stores and departmentalized specialty stores

(2) keep their retailer-clients in constant contact with the merchandise on the market

(3) furnish market information to clients, such as prices, style movements and sources of supply

(4) assist independent buyers on visits to the market by lining up appointments and aiding in negotiations

(5) renumeration on a commission or fee basis

D. Petroleum Bulkplants and Terminals

(1) specialize in receiving, storing and marketing gasoline, kerosene, distillate and residual fuel oils, liquefied petroleum gases, and other bulk petroleum products

(2) bulkplants receive their supplies principally by truck and rail

(3) bulk terminals receive supplies by tankers, barges, and pipelines in addition to truck and rail

(4) LP gas facilities sell liquefied petroleum gases in bulk or bottles to retailers, other wholesalers, industrial, commercial and institutional users

(5) bulkplants and bulk terminals sell bulk petroleum products to filling stations and other retailers, as well as to industrial, commercial and institutional users

E. Assemblers of Farm Products

1. Independent Buyer or Dealer (Assemblers)

(1) assemble and take title to the products of local producers

(2) may travel from one producing district to another or may reside and conduct their business in a single community

(3) borrow heavily during the buying season

(4) resell as soon as they have accumulated a sufficient quantity of produce for an economical shipment

2. Commission Buyer

(1) buy and assemble the products of local producers

(2) may purchase from other local buyers rather than assembling directly from farmers

(3) function as an agent of a large user of farm products

(4) may represent a middleman operating in a central market

(5) operate on a commission basis

3. Cooperative Marketing Association

(1) owned, operated and financed by local producers

(2) some associations act in the capacity of an agent

(3) agent supervises the weighing, loading, transfer and billing of the shipment

(4) shipment may be consigned to a commission merchant or to another cooperative association operating in the terminal market

(5) some operate their own loading yards and trucks

(6) proceeds from all sales, after commissions and expenses are deducted, are divided among the shippers in proportion to the amount each contributed to the shipment

4. Grain Elevator

(1) buy and resell grain of their own account or as the agent of a producer

(2) maintain facilities for grading, cleaning, mixing, and storing grain

(3) may own and operate their own trucks

(4) may resell grain through brokers, commission merchants or terminal elevator companies, or may sell direct to millers, manufacturers or exporters

(5) may perform custom services for farmers such as shelling and grinding grain, and mixing feeds

F. Retail Warehousing and Purchasing Offices

1. Purchasing Office

(1) established by large retailers in market centres where large volumes of merchandise are handled

(2) may be jointly operated by several noncompeting retailers of the same general type

(3) supervise the pricing and distribution of merchandise to parent stores

(4) conduct market research and compile comparative operating statistics

(5) arrange periodic "clinic" sessions with department heads from member or participating stores

(6) may maintain storage and physical distribution facilities

2. Retail Warehouse

(1) receive and inspect incoming merchandise

(2) store merchandise for retail outlets

(3) maintain stock control

(4) handle orders or requisitions of retail stores

(5) assemble, break bulk, and deliver merchandise to retail outlets

(6) salvage damaged goods

(7) responsible for traffic management, including routing of all merchandise shipments from manufacturers to retail outlets, establishing the frequency of shipments, the timing of dispatches and returns, and making the best use of transportation facilities

(8) operate an accounting department to bill retail outlets and keep records of purchases and deliveries

3. Wholesale Cooperative

(1) owned and operated by groups of independent retailers

(2) prepare advertising and promotional material and supply information on competitive prices

(3) may specialize in private brands

(4) inventory limited to items of proven salability

(5) members make out their own orders and mail or telephone them to the warehouse

(6) limited delivery service

# APPENDIX C

## INTERVIEW QUESTIONNAIRE: EDMONTON WHOLESALE TRADE SURVEY

APPENDIX C, LEAVES 254 - 260,

NOT MICROFILMED FOR REASONS

OF COPYRIGHT.

EDMONTON WHOLESALE TRADE SURVEY, by Dr. R.G. Ironside and Dale D. Peterson, Department of Geography, University of Alberta.

PLEASE CONTACT THE UNIVERSITY FOR FURTHER INFORMATION AT:-

The University of Alberta
Faculty of Graduate Studies and Research
2 - 8 University Hall
Edmonton, Alberta, Canada
T6G 2J9

# APPENDIX D

## MAIL QUESTIONNAIRE AND COVERING LETTER:

## EDMONTON WHOLESALE TRADE SURVEY

APPENDIX D, LEAVES 262. - 270,

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EDMONTON WHOLESALE TRADE SURVEY, by Dr. R.G. Ironside and Dale D. Peterson, Department of Geography, University of Alberta.

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The University of Alberta
Faculty of Graduate Studies and Research
2 - 8 University Hall
Edmonton, Alberta, Canada
T6G 2J9

# APPENDIX E

## MAIL QUESTIONNAIRE AND COVERING LETTER:
## NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART I

May 6, 1975

Dear Sir:

In order to assess the role of wholesaling in regional economic development, I am conducting an investigation of wholesale marketing in northern Alberta as partial requirement of an M.A. degree in economic geography. You are one of the 100 wholesalers in northern Alberta, the Yukon and the Northwest Territories who are being asked to participate in this in-depth study of wholesale marketing in the North.

The primary focus of this study is to establish the nature and extent of the wholesaling links between urban communities in the North and their major sources of supply. Because of its advantageous position at the entrance to this vast northern hinterland, the survey will focus on Edmonton's role as the main supply and transportation centre for northern Alberta, the Yukon and the Northwest Territories. Consideration will also be given to Vancouver's role in supplying the North.

Although I am sure you will have no difficulty answering the enclosed questionnaire, should you have any questions concerning any aspect of this survey, please feel free to telephone me collect at 436-1829. Your identity and responses will remain strictly confidential and all data that is released will comply with Statistics Canada disclosure laws and requirements. A report summarizing the results of the survey will be sent to you if you complete the enclosed questionnaire. The report will provide you with valuable information on trends in wholesaling and the economic development of the North, that will be useful in your future business planning.

I would appreciate having the completed questionnaire returned as soon as possible. A stamped, self-addressed envelope is enclosed for your convenience. I would like to thank you for your cooperation, as your participation in this survey is vital to the success of the research.

Sincerely yours

Dale D. Peterson

Encl.

# NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART I

Dale D. Peterson
Department of Geography, University of Alberta

Questionnaire No. _____ Date _____

## A. General Characteristics of the Firm

1. Describe the building in which your firm is located:

Type of building - Office _____
- Warehouse _____
- Both _____

Number of floors _____
Number of floors occupied by your firm _____
Loading docks _____
Rail spur line _____
Showroom _____
Approximate age of the building (years) _____

2. How many years have you been operating your business at this location? _____

3. On the basis of your present operation, what kind of wholesaler do you consider yourself to be?

MERCHANT WHOLESALER

_____Regular wholesaler (jobber)
_____Importer-Exporter
_____Rack jobber
_____Cash-and-carry wholesaler
_____Drop shipper or desk jobber
_____Truck or wagon jobber
_____Mail-order wholesaler
_____Industrial distributor
_____Mill supply house
_____Converter
_____Chain store buying office or warehouse
_____Wholesaler- or retailer-sponsored buying-pool cooperative chain
_____Other (specify) _____

MANUFACTURERS SALES BRANCH OR SALES OFFICE

_____Sales branch (with warehouse stocks)
_____Sales office (without warehouse stocks)

WHOLESALE AGENT OR BROKER

_____Broker
_____Commission merchant
_____Purchasing agent
_____Selling or sales agent
_____Manufacturers' agent
_____Import-Export agent
_____Auction company
_____Resident buying office
_____Cooperative selling agency
_____Other (specify) _____

PETROLEUM BULKPLANT, TERMINAL OR LIQUEFIED PETROLEUM GAS FACILITY

_____Independent
_____Commission
_____Cooperative
_____Refinery controlled
_____Other (specify) _____

3.

ASSEMBLER OF FARM PRODUCTS

_____Independent buyer or dealer (assembler)
_____Commission buyer
_____Cooperative marketing association
_____Cooperative purchasing agency
_____Grain elevator
_____Cream station
_____Packer and shipper
_____Other (specify) _____

RETAIL WAREHOUSING AND PURCHASING ORGANIZATION

_____Purchasing office
_____Retail warehouse
_____Wholesale cooperative
_____Other (specify) _____

4. Briefly describe the different types of services or wholesale functions that you perform for your suppliers and customers.

_____
_____
_____
_____
_____
_____

5. Is your firm connected in any way with a manufacturer or retailer of the products you sell?

Yes _____
No _____

If yes, to what firm are you connected? _____
Where is this firm located? _____
What is the specific nature of your connection with this firm?

Affiliate (direct ownership) _____
Subsidiary _____
Interlocking directorate _____
Cooperative _____
Exclusive dealer franchise _____
Restrictive controls (licensing, contracts, etc.) _____
Trade association _____
Gentlemen's agreement _____
Other combination (specify) _____ _____

Have you always been connected in this way?

Yes _____
No _____

If no, when did you become connected to this firm? _____

6. (a) What was the seasonal average employment of your establishment this year? (Including salesmen who work from this address and visit it on a regular basis)

Permanent - Male _____
- Female _____
Part-time - Male _____
- Female _____

(b) What do you expect your average employment to be by the end of this year? _____

7. (a) Is this establishment the head office of your company?

Yes _____
No _____

If no, where is your head office located? _____

(b) Do you have any branch offices? Yes _____
No _____

If yes, where are these branch offices located? _____

8. (a) In terms of the total value of your wholesale sales, what are the most immportant commodities you sell? (Give specific examples of the different kinds of items you sell)

_____

_____

(b) Of these commodities, ranked by wholesale sales value, which do you consider to be the five (5) most important, and what is the approximate percentage of your total wholesale sales value accounted for by each of these products?

| | | | |
|---|---|---|---|
| (Most important) | 1. | _____ | _____ % |
| | 2. | _____ | _____ % |
| | 3. | _____ | _____ % |
| | 4. | _____ | _____ % |
| (Least important) | 5. | _____ | _____ % |

9. In the present operation of your firm, how important is proximity to the following businesses?

| | Very Important | Important | Not Important | Not Used |
|---|---|---|---|---|
| Transport facilities | _____ | _____ | _____ | _____ |
| Warehouse and storage facilities | _____ | _____ | _____ | _____ |
| Banks and other financial institutions | _____ | _____ | _____ | _____ |
| Telephone and communication company offices | _____ | _____ | _____ | _____ |
| Other wholesalers, brokers and agents | _____ | _____ | _____ | _____ |
| Other (specify) _____ | _____ | _____ | _____ | _____ |

B. Market Survey and Linkage Analysis

1. What proportion of your total wholesale sales value is derived from goods sold in your local wholesale market? _____ %

2. Approximately what proportion of your total wholesale sales are sold to the following northern communities, and how many years have you been selling wholesale goods to each of these centres?

2.

| | | Years |
|---|---|---|
| Grande Prairie | ____% | _____ |
| Peace River | ____% | _____ |
| St. Paul | ____% | _____ |
| Edson | ____% | _____ |
| Slave Lake | ____% | _____ |
| Whitecourt | ____% | _____ |
| Whitehorse, Yukon | ____% | _____ |
| Yellowknife, N.W.T. | ____% | _____ |
| Inuvik, N.W.T. | ____% | _____ |
| Others (specify) _____ | ____% | _____ |

3. Approximately what proportion of your total wholesale sales are to customers outside Alberta? _____%

4. Does your establishment have any branch outlets in these northern communities, and if so, approximately how many employees work at each outlet?
   Yes _____
   No _____
   If yes, specify which communities and the employment at each: _____
   _____

5. Does your firm have any difficulty finding adequate storage facilities in this community?
   Yes _____
   No _____
   If yes, what are the nature of these difficultires? _____
   _____

6. Approximately what percentage of your total wholesale sales go to the following marketing methods?

| | |
|---|---|
| Mineral resource extraction | _____% |
| Manufacturing | _____% |
| Retail | _____% |
| Other wholesale | _____% |
| Other businesses | _____% |
| Government | _____% |
| Households | _____% |

7. Approximately what percentage of your wholesale sales are made by the following economic sectors?

| | |
|---|---|
| Customer visit to your firm | _____% |
| Telephone order by customer | _____% |
| Salesmen at customer's establishment | _____% |
| Salesmen on phone to customer | _____% |
| Mail order by customer | _____% |

8. Does your firm own its own transportation facilities? Yes _____
   No _____
   If yes, what are the nature of these facilities? _____
   _____

9. Approximately what percentage of the following forms of transportation and distribution are used by your company to ship the wholesale goods you sell?

| | |
|---|---|
| Railroad | ____% |
| Air freight | ____% |
| Truck (your own operation) | ____% |
| Truck (trucking company, express or parcel service) | ____% |
| Canada Post Office (parcel post) | ____% |
| Automobile | ____% |
| Other (specify) _____ | ____% |

10. Approximately what is the physical volume (in tons) of the wholesale goods you sold last year? _____

11. Of the goods that your firm purchases for resale, approximately what percentage comes from the following sectors?

| | |
|---|---|
| Manufacturing | ____% |
| Other wholesale | ____% |
| Other (government, retail, etc.) | ____% |

12. Approximately what proportion of the goods that you purchase are delivered to you by the following forms of transportation?

| | |
|---|---|
| Railroad | ____% |
| Air freight | ____% |
| Truck (your own operation) | ____% |
| Truck (trucking company, express or parcel service) | ____% |
| Canada Post Office (parcel post) | ____% |
| Automobile | ____% |
| Other (specify) _____ | ____% |

13. Approximately what percentage of the goods you purchase for resale are bought from the following cities, provinces or regions?

| | |
|---|---|
| Edmonton | ____% |
| Calgary | ____% |
| Rest of Alberta | ____% |
| Vancouver | ____% |
| Rest of British Columbia | ____% |
| Winnipeg | ____% |
| Rest of Manitoba | ____% |
| Toronto | ____% |
| Rest of Ontario | ____% |
| Montreal | ____% |
| Rest of Quebec | ____% |
| The Maritimes | ____% |
| United States | ____% |
| Europe | ____% |
| Other foreign regions (specify) _____ | ____% |

14. To the best of your knowledge, has Vancouver (or Calgary, or Winnipeg) successfully penetrated into your wholesale commodity markets in the North?
Yes _____
No _____

If yes, can you give any specific examples of penetration by these centres in terms of commodities sold? _____

In your opinion, what are the primary reasons for this penetration?
_____

15. Does your firm use any special marketing procedures to sell your products in the North?
Yes _____
No _____

If yes, what are the nature of these marketing procedures? _____

16. What are the main problems you see in selling and distributing your wholesale goods in the North? _____

17. Does transportation pose serious difficulties to your firm with respect to supplying your wholesale markets?
Yes _____
No _____

If yes, what are the specific problems involved? _____

18. To the best of your knowledge, is Edmonton wholesaling activity increasing in this community, and if so, do you see this increased activity as a threat to your own business survival?
Yes _____
No _____
If yes, explain: _____

19. Does your company own, or are you connected with, or are you planning to develop, wholesale outlets for your commodities in the North?
Yes _____
No _____
If yes, explain: _____

20. In your opinion, do you think it would be feasible to establish small scale wholesaling establishments or outlets in Northern communities, maintaining your traditional sources of supply, which would by-pass the entire transshipment process in Edmonton?
Yes _____
No _____

If no, what do you see as the major constraints to developing such small scale wholesale outlets in the North? _____

21. (a) Approximately what was your firm's gross sales volume in 1973?

Less than $100,000 _____
$100,000 - $500,000 _____

21.

$500,000 - $1,000,000 _____
$1,000,000 - $2,500,000 _____
$2,500,000 - $5,000,000 _____
More than $5,000,000 _____

(b) Was any portion of these sales made directly to household consumers?

Yes _____
No _____

If yes, approximately what proportion? _____ %

(c) Has your gross sales volume (increased, remained stable, or decreased) over the past year?

(d) What are your sales expectations for the next year? _____

# APPENDIX F

## MAIL QUESTIONNAIRE AND COVERING LETTER:

## NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART II

May 6, 1975

Dear Sir:

In order to assess the role of wholesaling in regional economic development, I am conducting an investigation of wholesale marketing in northern Alberta as partial requirement of an M.A. degree in economic geography. You are one of the 200 businessmen in northern Alberta, the Yukon and the Northwest Territories who are being asked to participate in this in-depth study of wholesale marketing in the North.

The primary focus of this study is to establish the nature and extent of the wholesaling links between urban communities in the North and their major sources of supply. Because of its advantageous position at the entrance to this vast northern hinterland, the survey will focus on Edmonton's role as the main supply and transportation centre for northern Alberta, the Yukon and the Northwest Territories. Consideration will also be given to Vancouver's role in supplying the North.

Although I am sure you will have no difficulty answering the enclosed questionnaire, should you have any questions concerning any aspect of this survey, please feel free to telephone me collect at 436-1829. Your identity and responses will remain strictly confidential and all data that is released will comply with Statistics Canada disclosure laws and requirements. A report summarizing the results of the survey will be sent to you if you complete the enclosed questionnaire. The report will provide you with valuable information on trends in wholesaling and the economic development of the North, that will be useful in your future business planning.

I would appreciate having the completed questionnaire returned as soon as possible. A stamped, self-addressed envelope is enclosed for your convenience. I would like to thank you for your cooperation, as your participation in this survey is vital to the success of the research.

Sincerely yours

Dale D. Peterson

Encl.

# NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART II

Dale D. Peterson
Department of Geography, University of Alberta

Questionnaire No. _____ Date _____

1. Which of the following categories best describes your present business operation? (Please check one)

_____Agriculture
_____Forestry
_____Fishing
_____Mining
_____Construction
_____Manufacturing
_____Transportation
_____Communication
_____Public Utility
_____Retail Trade
_____Finance, insurance or real estate
_____Services
_____Government
_____Other (specify) _____

2. Briefly describe the nature of your business operation?

_____
_____
_____

3. Approximately what percentage of the total value of the stock of merchandise used in the operation of your business is purchased from the following economic sectors?

| | |
|---|---|
| Wholesale | _____% |
| Retail | _____% |
| Manufacturing | _____% |
| Government | _____% |
| Other (specify) _____ | _____% |

4. Approximately what percentage of the goods you purchase from wholesalers for use in the operation of your business are bought from the following cities, provinces or regions?

| | | | |
|---|---|---|---|
| Edmonton | _____% | Toronto | _____% |
| Calgary | _____% | Rest of Ontario | _____% |
| Rest of Alberta | _____% | Montreal | _____% |
| Vancouver | _____% | Rest of Quebec | _____% |
| Rest of British Columbia | _____% | Maritimes | _____% |
| Saskatchewan | _____% | United States | _____% |
| Winnipeg | _____% | Europe | _____% |
| Rest of Manitoba | _____% | Other foreign regions | _____% |

5. In the present operation of your firm, how important is proximity to your source of supply?

Very important _____
Important _____
Not important _____

6. Does transportation of the merchandise you purchase for use in your business pose a serious problem to the operation of your firm?

Yes _____
No _____

If yes, what are the specific problems involved? _____
_____

7. Does your firm receive any special price concessions from local suppliers that you do not receive from your other sources of supply?

Yes _____
No _____

If yes, what are the nature of these price concessions? _____
_____

8. In your opinion, is there any way of improving the present service you are receiving from wholesalers supplying your business operation?

Yes _____
No _____

If yes, in what ways could this service be improved? _____
_____
_____
_____

# APPENDIX G

POPULATION AND SAMPLE SIZE BY TYPE OF WHOLESALE ESTABLISHMENT,

NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART I

POPULATION AND SAMPLE SIZE BY TYPE OF WHOLESALE ESTABLISHMENT,
NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART I

GRANDE PRAIRIE

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 8 | 2 |
| Drugs, Chemicals and Allied Products | 2 | 1 |
| Groceries and Related Products | 7 | 2 |
| Electrical Goods | 3 | 1 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 3 | 1 |
| Machinery, Equipment and Supplies | 20 | 5 |
| Petroleum and Petroleum Products | 4 | 1 |
| Furniture and Home Furnishings | 1 | 1 |
| Lumber and Construction Materials | 2 | 1 |
| Miscellaneous Wholesalers, n.e.c. | 3 | 1 |
| TOTAL | 53 | 16 |

PEACE RIVER

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 3 | 1 |
| Groceries and Related Products | 3 | 1 |
| Machinery, Equipment and Supplies | 1 | 1 |
| Petroleum and Petroleum Products | 1 | 1 |
| TOTAL | 8 | 4 |

ST. PAUL

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Groceries and Related Products | 1 | 1 |
| Farm Product - Raw Materials | 1 | 1 |
| Electrical Goods | 1 | 1 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 1 | 1 |
| Machinery, Equipment and Supplies | 6 | 1 |
| Petroleum and Petroleum Products | 4 | 1 |
| TOTAL | 14 | 7 |

EDSON

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 2 | 1 |
| Groceries and Related Products | 1 | 1 |
| Machinery, Equipment and Supplies | 2 | 1 |
| Petroleum and Petroleum Products | 6 | 1 |
| TOTAL | 11 | 4 |

WHITECOURT

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Metals and Minerals, n.e.c. | 1 | 1 |
| Petroleum and Petroleum Products | 3 | 1 |
| TOTAL | 4 | 2 |

SLAVE LAKE

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 1 | 1 |
| Machinery, Equipment and Supplies | 1 | 1 |
| Petroleum and Petroleum Products | 5 | 1 |
| TOTAL | 7 | 3 |

FORT MCMURRAY

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 1 | 1 |
| Drugs, Chemicals and Allied Products | 1 | 1 |
| Groceries and Related Products | 1 | 1 |
| Electrical Goods | 1 | 1 |
| Machinery, Equipment and Supplies | 2 | 2 |
| Petroleum and Petroleum Products | 2 | 2 |
| Scrap and Waste Materials | 1 | 1 |
| Lumber and construction Materials | 1 | 1 |
| Miscellaneous Wholesalers, n.e.c. | 1 | 1 |
| TOTAL | 11 | 11 |

WHITEHORSE

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Motor Vehicles and Automotive Equipment | 3 | 1 |
| Groceries and Related Products | 4 | 1 |
| Electrical Goods | 4 | 1 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 1 | 1 |
| Machinery, Equipment and Supplies | 7 | 2 |
| Metals and Minerals, n.e.c. | 2 | 1 |
| Petroleum and Petroleum Products | 2 | 1 |
| Paper and Its Products | 1 | 1 |
| Miscellaneous Wholesalers, n.e.c. | 4 | 1 |
| TOTAL | 28 | 10 |

YELLOWKNIFE

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Groceries and Related Products | 1 | 1 |
| Hardware, and Plumbing and Heating Equipment and Supplies | 1 | 1 |
| Petroleum and Petroleum Products | 3 | 1 |
| TOTAL | 5 | 3 |

INUVIK

| Type of Wholesaler | Population Size | Sample Size |
|---|---|---|
| Hardware, and Plumbing and Heating Equipment and Supplies | 1 | 1 |
| Machinery, Equipment and Supplies | 1 | 1 |
| Petroleum and Petroleum Products | 2 | 1 |
| TOTAL | 4 | 3 |

# APPENDIX H

## POPULATION AND SAMPLE SIZE BY ECONOMIC SECTOR, NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART II

POPULATION AND SAMPLE SIZE BY ECONOMIC SECTOR,
NORTHERN ALBERTA WHOLESALE TRADE SURVEY - PART II

GRANDE PRAIRIE

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Agriculture, Forestry and Fisheries | 7 | 1 |
| Mining | 6 | 1 |
| Construction | 77 | 8 |
| Manufacturing | 33 | 3 |
| Transportation and Communication | 41 | 4 |
| Retail Trade | 146 | 15 |
| Finance, Insurance and Real Estate | 37 | 4 |
| Services | 54 | 5 |
| Government | 6 | 1 |
| TOTAL | 407 | 42 |

PEACE RIVER

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Agriculture, Forestry and Fisheries | 1 | 1 |
| Mining | 4 | 1 |
| Construction | 31 | 3 |
| Manufacturing | 4 | 1 |
| Transportation and Communication | 13 | 1 |
| Retail Trade | 54 | 5 |
| Finance, Insurance and Real Estate | 22 | 2 |
| Services | 21 | 2 |
| Government | 4 | 1 |
| TOTAL | 154 | 17 |

ST. PAUL

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Agriculture, Forestry and Fisheries | 3 | 1 |
| Construction | 9 | 1 |
| Manufacturing | 5 | 1 |
| Transportation and Communication | 5 | 1 |
| Retail Trade | 53 | 5 |
| Finance, Insurance and Real Estate | 14 | 1 |
| Services | 15 | 2 |
| Government | 5 | 1 |
| TOTAL | 109 | 13 |

EDSON

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Mining | 7 | 1 |
| Construction | 22 | 2 |
| Manufacturing | 9 | 1 |
| Transportation and Communication | 18 | 2 |
| Retail Trade | 61 | 6 |
| Finance, Insurance and Real Estate | 8 | 1 |
| Services | 19 | 2 |
| Government | 3 | 1 |
| TOTAL | 147 | 16 |

WHITECOURT

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Mining | 13 | 1 |
| Construction | 25 | 2 |
| Manufacturing | 7 | 1 |
| Transportation and Communication | 18 | 2 |
| Retail Trade | 45 | 4 |
| Finance, Insurance and Real Estate | 8 | 1 |
| Services | 17 | 2 |
| Government | 4 | 1 |
| TOTAL | 137 | 14 |

SLAVE LAKE

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Mining | 19 | 2 |
| Construction | 20 | 2 |
| Manufacturing | 9 | 1 |
| Transportation and Communication | 15 | 2 |
| Retail Trade | 30 | 3 |
| Finance, Insurance and Real Estate | 5 | 1 |
| Services | 11 | 1 |
| Government | 3 | 1 |
| TOTAL | 112 | 13 |

FORT MCMURRAY

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Agriculture, Forestry and Fisheries | 2 | 2 |
| Mining | 1 | 1 |
| Construction | 41 | 10 |
| Manufacturing | 7 | 2 |
| Transportation and Communication | 19 | 5 |
| Retail Trade | 65 | 16 |
| Finance, Insurance and Real Estate | 18 | 4 |
| Services | 27 | 7 |
| Government | 6 | 2 |
| TOTAL | 186 | 49 |

WHITEHORSE

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Mining | 7 | 1 |
| Construction | 49 | 5 |
| Manufacturing | 9 | 1 |
| Transportation and Communication | 29 | 3 |
| Retail Trade | 92 | 9 |
| Finance, Insurance and Real Estate | 25 | 2 |
| Services | 44 | 4 |
| Government | 4 | 1 |
| TOTAL | 259 | 26 |

YELLOWKNIFE

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Mining | 4 | 1 |
| Construction | 30 | 3 |
| Manufacturing | 9 | 1 |
| Transportation and Communication | 25 | 2 |
| Retail Trade | 46 | 5 |
| Finance, Insurance and Real Estate | 14 | 1 |
| Services | 16 | 2 |
| Government | 4 | 1 |
| TOTAL | 148 | 16 |

INUVIK

| Economic Sector | Population Size | Sample Size |
|---|---|---|
| Mining | 1 | 1 |
| Construction | 7 | 1 |
| Manufacturing | 2 | 1 |
| Transportation and Communication | 16 | 2 |
| Retail Trade | 29 | 3 |
| Finance, Insurance and Real Estate | 4 | 1 |
| Services | 11 | 1 |
| Government | 3 | 1 |
| TOTAL | 73 | 11 |